



***Actuarial Analysis of the Proposed
Conversion of Premera
Blue Cross for the State of Washington***

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Insurance**

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*Prepared for the Washington Office of the Insurance
Commissioner*

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EXECUTIVE SUMMARY

On September 17, 2002, Premera Blue Cross filed a Form A application to the Washington Office of the Insurance Commissioner to convert from a non-profit health services contractor to a for profit publicly traded health insurer.¹ The company filing states that the full value of the proceeds of the conversion would be transferred to a foundation with the assets used to serve the health care needs of the populations of Alaska and Washington, the two states in which Premera operates as a non-profit. An amended Form A application was subsequently filed on February 5, 2004.

PricewaterhouseCoopers LLP (PwC) was asked to assess the allocation of Premera as a non-profit corporation into percentage share values for Washington and Alaska as part of its work as consultants to the Washington Office of the Insurance Commissioner (OIC) in the matter of the proposed conversion.

Our Approach

PwC approached the analysis of the Premera allocation as a transaction largely similar to a two-party demutualization.² This process makes a fair and reasonable assessment of the allocation of shares based on a thorough analysis of all relevant information over the history of the organization. In order to perform this assessment, background information was

¹ Form A: Statement Regarding the Acquisition of Control of a Domestic Health Carrier and a Domestic Insurer. Direct or Indirect Affiliates of Premera by New Premera Corp. September 17, 2003. This was also filed with the Alaska Division of Insurance and the Oregon Insurance Division.
<http://www.insurance.wa.gov/special/premera/filing.asp>

² Although there is no specific standard of practice for an allocation of proceeds as the result of a conversion from a not-for-profit insurer to a for-profit corporation, the allocation process used in this report is governed by the applicable Actuarial Standards of Practice (ASOP), to the extent they apply to the process as a whole and specifically to portions of the work product. These standards include at least, ASOP No. 5 – Incurred Health and Disability Claims; ASOP No. 7 – Analysis of Life, Health, or Property/Casualty Insurer Cash Flows; ASOP No. 8 – Regulatory Filings for Rates and Financial Projections for Health Plans; ASOP No. 12 – Concerning Risk Classification; ASOP No. 16 – Actuarial Practice Concerning Health Maintenance Organizations and Other Managed-Care Health Plans; ASOP No. 17 – Expert Testimony by Actuaries; ASOP No. 19 – Actuarial Appraisals; ASOP No. 21 – The Actuary's Responsibility to the Auditor; ASOP No. 23 – Data Quality; ASOP No. 25 – Credibility Procedures Applicable to Accident and Health, Group Term Life, and Property/Casualty Coverages; ASOP No. 28 – Compliance with Statutory Statement of Actuarial Opinion Requirements for Hospital, Medical and Dental Service or Indemnity Corporations, and for Health Maintenance Organizations; ASOP No. 31 – Documentation in Health Benefit Plan Ratemaking; ASOP No. 33 – Actuarial Responsibilities with Respect to Closed Blocks in Mutual Life Insurance Company Conversions; ASOP No. 37 – Allocation of Policyholder Consideration in Mutual Life Insurance Company Demutualizations; and ASOP No. 41 – Actuarial Communications.

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requested from Premera Blue Cross. Other sources were also used and they are generally described below.

Background information for this report was obtained from numerous sources that include:

1. The Washington Office of the Insurance Commissioner

- Statutory statements for health insurers;
- Interpretation of state regulations;
- Reports on changes in market position of health plans; and
- Reports on changes in pricing of health products.

2. Premera Blue Cross

- Financial Statements: Actual and projected by product line and business segment;
- Premium rates and rates of change over the past several years;
- Provider contracts and information on payment methods and fee schedules; and
- Other documents as requested as part of the consultant review.

3. Other Sources Available to PwC

- Purchased data, such as Best's Insurance ratings and HealthLeaders Research Reports;
- Proprietary databases and client information;
- Benchmarking information on comparable Blues' Plans;
- Audit support on managed care companies audited by PwC;
- Statutory audits of managed care companies on behalf of State Insurance Departments; and
- Information obtained as representative on industry committees (e.g., Society of Actuaries and American Academy of Actuaries).

Components of the Analysis

There are three components of the analysis to derive the actuarial value to determine the share allocation between Washington and Alaska. These are:

- Allocation of Historic Surplus
- Allocation of Future Surplus
- Additional Considerations

The historic surplus of the Premera not-for-profit companies was reviewed over the period from 1946, the first full year of operation of the Washington Hospital Service Association, to the most recent audited year, 2002. The historic components that were analyzed include:

- Underwriting cash flow, defined to be premium less incurred claims less expenses;
- Investment Income, including interest and dividends, realized capital gains/(losses) and unrealized capital gains/(losses);
- Other income and expense;
- Federal income tax expense; and,
- Other surplus impacts not accounted for by the other allocations.

The allocation of the future value of the surplus of the Premera not-for-profit companies relied upon review of the Premera management financial projection model for the period 2003 to 2007 and sensitivity analyses performed by the Washington consultants. The projection model was updated with unaudited financial results for the most recent calendar year, 2003.

The additional considerations arise from an overall assessment of the process and include facts and circumstances that became known through review of documents, conversations with Premera management, and the application of actuarial principles and considerations.

The information was reviewed specifically with the intent of completing the Tables attached to this report. The stepwise development of the Tables documents the allocation of all financial items that contribute to the accumulated surplus of Premera.

Conclusion

The actuarial allocation presents a range of results. The range derives from the possible alternative outcomes of the additional considerations discussed in the actuarial allocation section. Since the range is a "best estimate range" of likely outcomes, the mid-point of the range is the most likely outcome. Taking all information into account, the conclusion of the actuarial valuation is that the Washington allocation share is 85%.

1. BACKGROUND

The purpose of this report is to assess an appropriate range of values, expressed as a percentage, for allocating the proceeds of the conversion of Premier Blue Cross to a for-profit company. This report specifically identifies the share of the proceeds that would accrue to the State of Washington and is a component of the consulting services PwC is providing to the Washington Office of the Insurance Commissioner (OIC).

An actuarial allocation of value between parties is a complex analysis similar to a valuation over the entire historical horizon of the parties at interest. As such, its component parts are not separable and it is not necessarily susceptible to a partial analysis or a summary description. Slight changes to historical facts and circumstances could have a material effect on the resulting analysis, since the facts and circumstances, if applicable over a long time period, can accumulate to significantly different results. In performing the actuarial allocation of value, PwC has considered the results of all its analyses and did not necessarily attribute specific weightings to any particular situation or factor. Furthermore, selecting any portion of PwC's analysis, without considering all component analyses, would create an incomplete view of the process underlying this report.

2. OVERVIEW OF SHARE ALLOCATION “BEST ESTIMATE”

PwC has assessed the available data to develop a “best estimate” of the allocation of value between Washington and Alaska from an actuarial perspective.³ We note that a separate allocation formula has been developed by the Investment Banking team based on appropriate valuation principles.⁴ This report describes the process followed to develop the “best estimate” of the appropriate share allocation for use in allocating the Premera funds available between Washington and Alaska from an actuarial perspective.

General Overview

The actuarial value from which the share allocation between Washington and Alaska was derived is comprised of three components:

1. The historic surplus of the Premera not-for-profit companies;⁵
2. The future value of Premera profits on the current business-in-force; and
3. Various other factors best termed additional considerations.

Historic Surplus Allocation

Much of the work of the actuarial valuation has been to develop and analyze the historic values of the underwriting history of Premera Blue Cross and its predecessor companies. While much of the information is considered part of the public record, the necessary data were not all readily available. A search of several data depositories yielded the information used for this analysis.

³ Washington and Alaska are determined to be the States to which a share of the proceeds is appropriate. See Definitions section of this report.

⁴ Blackstone Group. Premera Blue Cross: Report on Valuation and Fairness of the Proposed Conversion. October 27, 2003.

⁵ Although LifeWise Health Plan of Washington is a for-profit company, it was established solely to sell individual insurance in Washington as a result of the turbulent individual healthcare market in Washington in the mid-nineties.

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Important factors used in assessing the accumulation of surplus included:

- Underwriting Cash Flow, defined to be premiums less incurred claims less expenses;
- Investment income, including interest and dividends, realized capital gains and unrealized capital gains (developed from surplus account detail over time);
- Other income and expenses;
- Federal income tax expense; and
- Other surplus impacts not accounted for by the previous allocations. These adjustments to surplus generally fall into two categories: change in non-admitted assets and other adjustments.

3. DESCRIPTION OF PREMIERA BLUE CROSS

Corporate History of Premiera Blue Cross

The antecedents of Premiera Blue Cross date to the formation of the first hospital and medical association plans in Washington and Alaska. The company operates throughout both of those states and has expanded operations into Oregon. Premiera has a license to operate in Idaho but does not currently market products in that State. It recently obtained a license to operate in Arizona and has begun marketing products there.

Although the predecessor organization dates back to 1933, the Washington Hospital Service was legally incorporated in May 1945 and issued a certificate as a health care service contractor in July 1948. The Alaska plan was authorized as a hospital and medical services corporation in that state in May 1952. The two plans joined in 1957, but operated under separate names until amended articles of incorporation changed the name to Blue Cross of Washington-Alaska, Inc. in March 1969. A for-profit subsidiary, Washington-Alaska Group Services, was incorporated in 1975 as an agent for insurers and a few years later, the plan was renamed Blue Cross of Washington and Alaska.

Blue Cross of Washington and Alaska began development of a network model HMO, HealthPlus, in the early 1980s and acquired Chelan County Medical Services Corporation in 1985. The company acquired Pacific Health and Life Insurance Company in 1993, and renamed the for-profit subsidiary LifeWise Health Plan of Oregon. In 1994, it approved affiliation with Medical Service Corporation (MSC) of Eastern Washington, the plan that held the Blue Shield service mark for most of the eastern counties, and a merger of the programs was completed in June 1998. At the time of the merger, the corporate name was changed to Premiera Blue Cross. In December 2000, the HMO plan, Premiera HealthPlus was formally merged into Premiera Blue Cross, and LifeWise Health Plan of Washington was formed in 2001. The timing of significant events for the corporate body, the health insurance business, and selected subsidiary transactions are presented in Table 3-1.

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<p>Table 3-1 Timeline of Significant Premera Blue Cross Transactions</p>	
Date	Transaction/Purpose
May 9, 1945	Formation of WASHINGTON HOSPITAL SERVICE ASSOCIATION.
July 8, 1948	Authority to operate as a health care service contractor in the State of Washington.
May 28, 1952	Authority to transact insurance as a hospital and medical service corporation.
March 24, 1969	Change name to BLUE CROSS OF WASHINGTON-ALASKA, INC.
June 13, 1975 September 26, 1975	Authority to incorporate a new Washington business-for-profit subsidiary WAGS (WASHINGTON-ALASKA GROUP SERVICES, INC.)
April 11, 1978	Change name to BLUE CROSS OF WASHINGTON AND ALASKA,
September 12, 1980	Approve development of a Plan sponsored network model HMO (formation of HEALTHPLUS).
March 17, 1981 July 23, 1981	Formation of WASHINGTON AND ALASKA HEALTH NETWORKS. Change name to HEALTHPLUS
December 13, 1985	Approve acquisition of CHELAN COUNTY MEDICAL SERVICE CORPORATION.
May 6, 1987	Authority to transact business as a health care service contractor in the State of Washington.
July 15, 1993	Approve acquisition of LIFEWISE HEALTH PLAN OF OREGON, FORMERLY PACIFIC HEALTH AND LIFE INSURANCE COMPANY.
October 19, 1994.	Approve affiliation with MEDICAL SERVICE CORPORATION OF EASTERN WASHINGTON and formation of PREMERA.
February 27, 1995	Authority to transact business in Alaska as BLUE CROSS OF WASHINGTON AND ALASKA.
March 10, 1995	Authority to transact business in the State of Idaho as BLUE CROSS OF WASHINGTON AND ALASKA.
July 2, 1997	Change name of LIFEWISE OREGON to LIFEWISE, A PREMERA HEALTH PLAN, INC.
June 30, 1998	Merger of MEDICAL SERVICE CORPORATION OF EASTERN WASHINGTON into BLUE CROSS OF WASHINGTON AND ALASKA.
June 30, 1998	Change name to PREMERA BLUE CROSS.
July 30, 1998	Authority to transact health insurance business in Alaska as PREMERA BLUE CROSS.
August 12, 1998	Authority to form LIFEWISE HEALTH PLAN OF WASHINGTON, formerly PREMERA HEALTHCARE, INC.
November 8, 1998	Authority to transact business in Alaska as PREMERA BLUE CROSS d/b/a PREMERA BLUE CROSS BLUE SHIELD OF ALASKA.

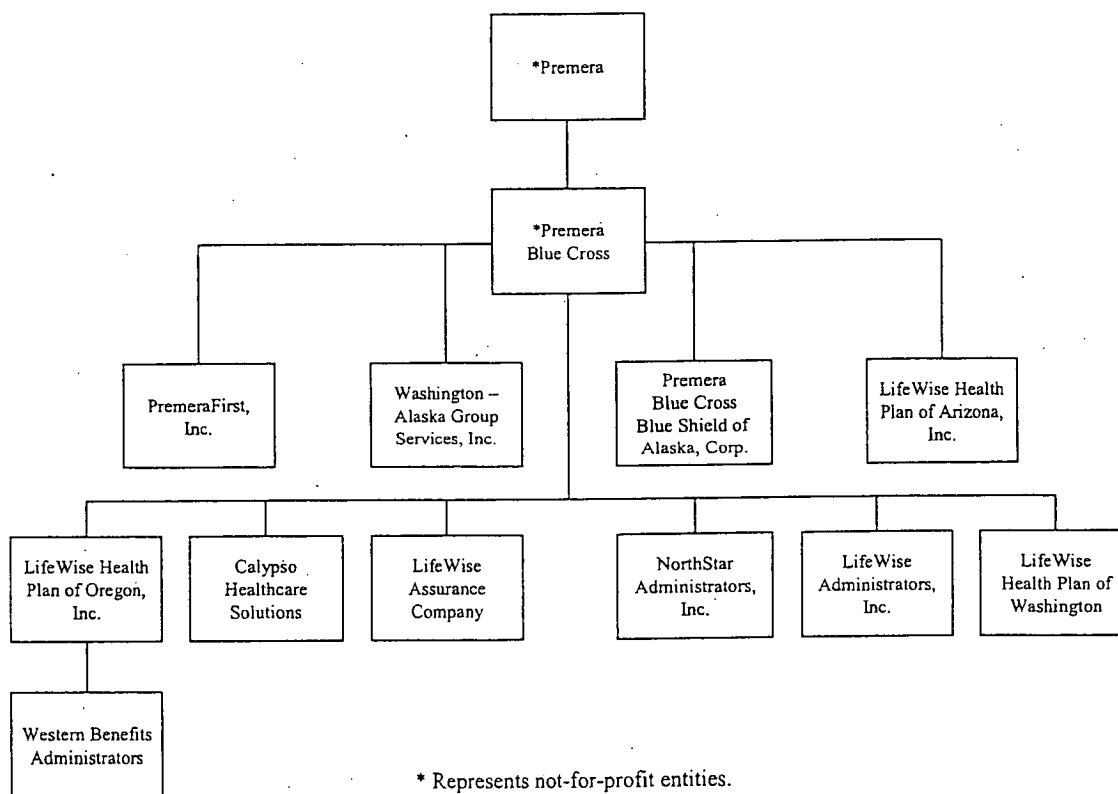
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<p align="center">Table 3-1 Timeline of Significant Premera Blue Cross Transactions</p>	
Date	Transaction/Purpose
November 19, 1998	Formation of PREMERA HEALTH CARE, INC., a profit corporation, predecessor to LIFEWISE WASHINGTON
June 24, 1999	Authority to transact business in the State of Idaho as PREMERA BLUE CROSS d/b/a PREMERA BLUE CROSS, A NONPROFIT CORPORATION.
December 1, 1999	Authority to form Quality Solutions.
January 21, 2000	Authority to merge MSC SERVICE CORPORATION into WASHINGTON-ALASKA GROUP SERVICES, INC.
January 27, 2000	Merger of MSC SERVICE CORPORATION into WASHINGTON-ALASKA GROUP SERVICES, INC.
August 31, 2000	Authority to operate PREMERA HEALTHCARE as a health care service contractor in the State of Washington.
December 22, 2000	Merger of PREMERA HEALTHPLUS into PREMERA BLUE CROSS.
July 11, 2002	Change name of PREMERA HEALTHCARE to PREMERA LIFEWISE HEALTH PLAN OF WASHINGTON.
<p><i>Source: Premera Bates Range 0029827 to 0029844</i></p>	

Organizational Structure of Premera

Premera, a Washington based non-profit holding company, owns and operates Premera Blue Cross. Premera Blue Cross is licensed as a Washington non-profit health care service contractor (HCSC). Subsidiaries of Premera Blue Cross include both non-profit and for-profit corporations as depicted in the organizational chart in Figure 3-1.

Figure 3-1
Premera Corporate Organization Chart



Source: Organizational Chart is current through September 3, 2003.

Major subsidiaries of Premera Blue Cross include PremeraFirst, Inc., Washington-Alaska Groups Services (WAGS), Premera Blue Cross Blue Shield of Alaska (and LifeWise Health Plan of Arizona (formerly MSC Life insurance Company). PremeraFirst, Inc. was formed in 1989 and has authority to operate in Washington, Alaska and Oregon as the primary agent for contracting with physicians and other providers. Premera Life Insurance Company is licensed to transact life and disability insurance in Washington, holds the authority to operate as LifeWise Health Plan of Arizona, formerly MSC Life Insurance Company, is licensed to transact life and disability insurance in Washington and was recently approved to transact life

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and disability insurance business in Arizona. Premera Blue Cross Blue Shield of Alaska is a for-profit that will seek authorization to sell health insurance in that state.

WAGS is a for-profit insurance company that owns LifeWise Health Plan of Oregon, LifeWise Health Plan of Washington, Calypso Healthcare Solutions, States West Life Insurance, NorthStar Administrators, Inc., and LifeWise Administrators, Inc. The LifeWise Health Plans of Oregon and Washington, States West Life, and NorthStar are for-profit companies. Calypso, formerly Quality Solutions, is a not-for-profit company formed in 2000 as a consulting firm to assist firms in claims and trends analysis to identify opportunities for reducing health care costs.

The actuarial valuation described in this report evaluates the Premera non-profit companies, subsidiaries and affiliates. This includes the original hospital service corporation in Washington, the hospital and medical services corporation in Alaska, plus the former MSC of Eastern Washington and the HealthPlus HMO. It also includes the two non-profit entities under WAGS, Calypso HealthCare Solutions and LifeWise Health Plan of Washington. It excludes all the for-profit entities among the WAGS subsidiaries, PremeraFirst, and the recently formed LifeWise Health Plan of Arizona.

4. DEFINITIONS

There are several key definitions that form the basis for the calculations that follow. The definitions include:

1. States that require a separate calculation: Washington and Alaska

There are three non-profit companies that are appropriate for consideration:

- a. Premera Blue Cross and its subsidiary companies including MSC and Health Plus
- b. LifeWise Health Plan of Washington⁶
- c. Calypso Healthcare Solutions (formerly Quality Solutions)⁷

The Tables at the end of this report split Premera Blue Cross, defined in this report as those non-profit entities listed above, into Washington and Alaska. The allocation share developed from the analysis of the non-profit companies is applicable to the value of the entire corporation, including the for-profit companies.

2. Underwriting Cash Flow (UCF)

The first step in the allocation between Washington and Alaska is to develop underwriting cash flows (UCF). Underwriting Cash Flows are the profits or losses from the core business of health insurance and, in the case of Calypso, from claims analysis consulting, and is defined as:

$$\text{UCF} = \text{Premium} - \text{Claims} - \text{Commissions} - \text{Taxes (mainly premium tax)} - \text{Other Expenses}$$

It is useful to evaluate the parts of the calculation on a per member per month (PMPM) basis, allowing for identification of anomalous values. Consequently, membership counts by year and state are needed to calculate PMPM values for the analysis.

⁶ The surplus of LifeWise Health Plan of Washington will flow through the Other Surplus adjustment of Premera Blue Cross, as the results of subsidiaries will accrue to Premera through investment in subsidiaries. The final allocation of surplus amount is 85%. Since 100% of LifeWise Health Plan of Washington accrues to Washington, and its December 31, 2002 surplus is \$1,823,202, an adjustment of \$273,480 should be transferred from Alaska to Washington.

⁷ Similar to the note on LifeWise Health Plan of Washington, the surplus of Calypso will essentially be allocated by the share allocation percentage. Because of the small size of this company, that result is deemed reasonable.

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The components to be split by state therefore include:

- a. Members;
- b. Premium;
- c. Claims;
- d. Commissions;
- e. Taxes (mainly state premium tax);
- f. Other Expenses; and
- g. Underwriting Cash Flow, a calculation resulting from the values of the other data elements.

3. Full Allocation to Washington and Alaska

To fully separate the experience for Washington and Alaska, other financial statement values must be divided by State.

These other values include:

- a. Other Income and Other Expense not related to the core health insurance business;
- b. Deposits to Surplus of acquisitions and investments (e.g., MSC and HealthPlus);
- c. Other entries in the Surplus account; and
- d. Investment Income.

These other financial statement values will be addressed at the conclusion of the Underwriting Cash Flow analysis.

5. UNDERWRITING CASH FLOW COMPONENT ANALYSIS

The accompanying Tables show the raw and completed data used for our analysis. Raw data is the information on members, premium, claims, and other data components that were available directly from the various source documents. Raw data is not available by state for all the years of the historical time series. "Completed" data is the full time series with entries for missing values and corrections to apparent errors.

Members

Tables 1 and 2 display the membership counts. They are derived in the following manner.

Table 1: Historic members derived from statutory statements, GAAP statements or supplemental schedules in statutory statements. The members are reported on statutory and GAAP statements as of the end of the calendar year.

Table 2: Historic members completed based on our best estimate of a reasonable pattern of enrollment for Alaska and Washington.

In our review of the raw data we identified several periods with apparently anomalous data. Our best understanding is that the Alaska business began in 1953. Premium information is available for Alaska beginning in 1961, and Alaska membership information is available beginning in 1967. We reviewed the premiums and premium per member values for Washington and Alaska for the period from 1953 to 1966. In reviewing the available documentation, there was no indication of a radical shift in membership in Alaska in the 1961-1962 timeframe.⁸ Alaska had small membership until the early 1970's when it became involved in large group business, possibly beginning with the State of Alaska employee case. For this reason, there can be fluctuations in Alaska⁹ membership because of its smaller size.

The fact that data are available that describe Total members and Washington members in 1961 and 1962 does not mean the best estimate for Alaska members for these two years is Total minus Washington. Because the reported values for these two years are

⁸ We reviewed the write-ups in each GAAP statement and categorized key events by year. However, specific Washington or Alaska counts were not provided.

⁹ For example, the number of members used for calculations in calendar year 2000 is the average of the year end membership in 1999 and 2000.

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anomalous, we modified the values to more reasonable level. While Total members are part of the standardized annual filed statement to the OIC, individual State members are part of supplemental schedules, which may be less reliable.

Based on premium and premium per member ratios of Alaska compared to Washington, we estimated the Alaska members for 1953 through 1966. In addition we built the Alaska premiums for 1954 to 1960 based on beginning ratios of premiums similar to Washington but grading into the general ratio of Alaska to Washington premiums of 1.15 to 1.25 applicable to the actual data available from 1967 to 2002 (with a few noted exceptions).

Table 3: Adjusted and corrected members for all years.

Premium

Tables 4 to 6 display premium information, derived in the following manner.

Table 4: Premium Raw Data: Historic premium from statutory statements (except for 1957 to 1960 is from GAAP statements), including supplemental schedules.

Table 5: Premium data completed for 1953 through 1960. The calculation is based on member-months from Table 3 times PMPM premiums from Table 6 multiplied by 12 to convert monthly premium to an annual basis.

Table 6: Premium PMPM values (Table 5 divided by member months obtained from Table 3).¹⁰

Claims

Tables 7 to 10 display claims experience information, derived as follows:

Table 7: Claims Raw Data: Historic claims from statutory statements (except for 1957 to 1960 that is from GAAP statements), including supplemental schedules.

Table 8: Claims data completed for 1953 through 1960 based on the medical loss ratio¹¹ for total Washington/Alaska business applied to both Washington and Alaska premium (Medical Loss Ratio in Table 9 times Completed Premium in Table 5 for 1953 through 1960). Although Washington had experienced favorable loss ratios, generally, from 1947 through 1952, and Alaska's experience was more volatile from 1961 through 1980

¹⁰ Member months for year $n = \frac{1}{2} \times [(\text{members for year } n-1) + (\text{members for year } n)]$.

¹¹ Medical loss ratio = Incurred Claims / Earned Premium. Medical includes all forms of health care coverages reported in Premier's financial statements.

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due to their smaller membership base, the assumption of similar loss ratios seems reasonable given other assumptions to be made.

Table 9: Medical loss ratios - Completed Claims in Table 8 divided by Completed Premium in Table 5.

Table 10: Claims PMPM. Completed Claims in Table 8 divided by member months obtained from Table 3.¹²

Expenses

In analyzing the data over the period from 1933 to 2002, it was clear that some recorded values were incorrect. PwC undertook an effort to obtain all relevant documents from Premera, as well as public documents obtained from the State of Washington, including the State archives. This data was analyzed over time and compared to other available information including separate data received from State of Washington personnel, GAAP statements and other reports provided by Premera.

Our review attempted to isolate the key areas and make as few adjustments as necessary while identifying items that were clearly anomalous. The Washington and Alaska consultants ultimately submitted a “best estimate” of history to Premera for their consideration. Premera assisted in several corrections to the information (including the note that commissions were recorded as an offset to premiums, rather than a separate line item for expense up to 1993).

The Washington and Alaska businesses were not historically managed by Premera as separate companies. Nevertheless, in developing best estimates of historical data, there are general principles appropriate to the size and mix of business of the separate entities in the two states. Additionally information in pricing formulas and insurance filings provided in the data collected from Premera Blue Cross can be used to estimate the reasonableness of the expense values when comparing Washington to Alaska.

Tables 11 to 21 display expense information. They are derived in the following manner.

Table 11: Total Expense, raw data. Historic total expenses from statutory statements (except 1957 to 1960 is from GAAP statements), including supplemental schedules.

The following notes apply to Table 11:

1. 1979 to 1997 expenses split by Washington and Alaska components are from annual filed statements.

¹² For calculations, we use the average of two years. Member months for year $n = 12 \times [(members \text{ for year } n-1) + (members \text{ for year } n)]/2$.

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2. No expense split was found for 1953 to 1978.
3. For 1998 to 2002, Premera historical data provided as response number WA 26 is used to determine a Washington versus Alaska split. This percentage allocation is applied to total statutory expenses.¹³ Although WA 26 is prepared on a GAAP basis, the relative relationship of Washington versus Alaska should be representative of an estimate of historic values.

As indicated in the formula for UCF Total Expenses are split into Commissions (also termed Acquisition Expenses); Taxes (primarily state premium taxes and the predecessor Washington Business and Occupation (B&O) taxes, although B&O taxes remain for some specific lines of business); and Other Expenses. Since the relative values of these three components of expenses vary over time and vary in their relative relationships to key benchmarks, such as percentage of premium or cost per member, it is important to address each specific component of expense in the build-up of Total Expenses.

Commissions, also known as Acquisition Expenses

Table 12: Broker Commissions are developed from basic principles. Based on the review of documents and discussions with Premera staff, the following information is known:

- Prior to 1993, commissions were netted against premium revenue in the financial reporting.¹⁴
- Beginning in 1993 and continuing through 1996, Premera recorded additional acquisition expenses beyond commissions in the statutory recording of “acquisition expenses”. We have estimated the commission amounts for 1993 to 1996 for Washington and Alaska based on an analysis of available data from both 1987 to 1992 and 1997 to 2002.

Table 13: Commissions data completed.

Table 14: Commissions as a percent of premium – Commission Completed in Table 13 divided by Premiums Completed in Table 5.

¹³ As noted on Table 11, 1998 expenses, as documented in the supplemental exhibits to filed annual statements in the State of Washington recorded incorrect values in the schedules by State. An adjustment was made based on a per-member-per-month analysis of expenses.

¹⁴ Communicated by Premera management following review of initial data package from consultants to Premera.

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Table 15: Commissions PMPM – Commission Completed in Table 13 divided by member months in Table 3.¹⁵

Taxes

As a non-profit health care services corporation under Washington state law, Premera Blue Cross has been subject to Business & Occupation taxes and to state premium tax on underwritten (insured but not administrative service contract) business. It is also subject to state premium tax in Alaska. Premera does not pay state corporate income tax in either state.

Under Federal law, Blue Cross and Blue Shield plans were exempt from corporate income tax until 1987.¹⁶ The change in federal law also provided for some special tax benefits not available to other insurance companies that can substantially reduce the taxable income of a Blue Cross and Blue Shield organization. Premera Blue Cross has availed itself of the provisions of Section 833(b) and has paid federal tax over the years. The Federal corporate income tax is allocated in a separate step that is described in Section 6. Therefore, the allocation of tax expense is primarily the state premium taxes that are directly tied to the amount of written premium for each state.

Table 16: Premium tax – The following information is known:

- The B&O tax has been in existence in Washington since 1934.
- The premium tax for insurance companies in Washington began in 1994.
- After 1994 in Washington, there are certain exemptions for premium tax purposes, however the exemptions are eligible for B&O tax (e.g., dental premium).
- The premium tax for insurance companies in Alaska began in 1967.

Table 17: Premium tax as a percent of premium – Premium Tax in Table 16 divided by Premium Completed in Table 5.

Table 18: Premium tax PMPM – Premium Tax in Table 16 divided by member months in Table 3.¹⁷

¹⁵ Member months for year $n = 12 \times [(members \text{ for year } n-1) + (members \text{ for year } n)]/2$.

¹⁶ Internal Revenue Code Section 833(b), enacted in 1986.

¹⁷ Member months for year $n = 12 \times [(members \text{ for year } n-1) + (members \text{ for year } n)]/2$.

Other Expenses

Other expenses equal total expenses less commissions and taxes. The components of Other Expense are primarily administrative expenses, such as salary and benefits, supplies, building and utilities, and also includes extraordinary (one-time or short term) expenses.

Table 19: Other Expenses from Table 11 after deducting Commissions in Table 13 and premium related Taxes in Table 16.

Table 20: Other Expenses PMPM – Other Expenses in Table 19 divided by member months in Table 3.¹⁸

Table 21: Other Expenses PMPM completed. Discussions of expenses with Premera management have led PwC to determine that, in general, the PMPM values of other expenses for Washington versus Alaska should be similar.¹⁹ However, certain adjustments are appropriate when one now considers history “as if” Washington and Alaska were run as separate companies. Prior to making these “as if” adjustments, the 1954 through 1978 Other Expenses on a PMPM basis are completed with values for Washington and Alaska equivalent to the total Premera Other Expense PMPM values.

Adjustments to Expenses

There are two areas to analyze where expense adjustments might be appropriate to the allocation of value between the two states at interest. The first adjustment is a start-up expense for Alaska from 1953 to 1973. The second area for analysis is a review of expenses from 1997 to 2002. The review of the recent years is required since the recorded statutory expenses and the subsequent reconciliation of data sets has not provided sufficient detail to understand historical expense allocations and appear inconsistent with the detail supplied by the company to support their projection of results and their corporate financial analysis.

In order to finalize the “best estimate” of appropriate underwriting cash flows, PwC performed the following two analyses and made the indicated adjustments to allocated expenses:

- a. Adjustment for Alaska Start Up Expenses: An historical look-back to determine “what might have been” can be difficult in that many factors might be open to reconsideration. However, if a subsidiary company had started in 1953 in another state (i.e., other than Washington), that company would have experienced higher expenses as a start-up operation, regardless of whether in fact, the existing

¹⁸ Member months for year $n = .12 \times [(members \text{ for year } n-1) + (members \text{ for year } n)]/2$.

¹⁹ Numerous meetings with Premera management were conducted over the period October 2002 through July 2003 related to basic data gathering and expense allocation.

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corporation allocated the start up costs. The adjustment assumes a health plan to be “mature” with 80,000 members and a start up adjustment is applied via formula until it reaches the mature enrollment level. The load factor derived from the adjustment formula can be approximated from the following chart:

MEMBERS	MATURITY	LOAD
10,000	12.5%	200%
20,000	25.0%	90%
40,000	50.0%	30%

Thus, a new healthplan with 10,000 members will experience costs 200% higher than a mature plan; while a plan with 40,000 members will experience costs 30% higher than a mature plan. This adjustment increases Alaska's expenses by \$1.5 million over the period 1953 to 1973 in the historical allocation of surplus. The revised historical Other Expenses are shown in Table 22.

- b. Review of expenses over the most recent period: The Other Expenses from 1997 to 2002 have been modified from those reported on the supplemental schedules of the statutory blank.²⁰ The Other Expense amounts in the period 1997 to 2002 are generally erratic when analyzed on a per-member-per-month basis. When all other data are analyzed, including data from the historical review period of 1946 to 1996, and data from the projection models for 2003 to 2007, the smoothing algorithm used to refine our analysis does not materially alter results and it provides data that allows consistent review and discussion.

Final Other Expenses PMPM in Table 23 repeats the values in Table 22 with a highlighted box that specifically identifies the applicable period for the smoothing adjustment.

Table 24 presents the Final Other Expenses recommended for use in the allocation of underwriting cash flows.

²⁰The Alaska statutory expense for 1998 was discussed on a conference call following the May 29th, 2003 meeting on expenses. It was recognized by all parties to be inappropriately low and has been adjusted to be reasonably consistent with 1997.

Underwriting Cash Flow

Table 25 presents the results of the Underwriting Cash Flow (UCF) according to the definition:

$$\text{UCF} = \text{Premium} - \text{Claims} - \text{Commissions} - \text{Taxes (mainly premium tax)} - \text{Other Expenses}$$

The formula expressed in tables would be:

$$\text{Table 25} = \text{Table 5} - \text{Table 8} - \text{Table 13} - \text{Table 16} - \text{Table 24}$$

6. HISTORIC SURPLUS ALLOCATION

The allocation of historic underwriting cash flows was the first step in determining historic surplus allocation. In addition, the following items need to be allocated:

- Investment Income, including interest and dividends, realized capital gains/(losses) and unrealized capital gains/(losses). The unrealized capital gains/(losses) are available from surplus account detail over time.
- Other income/expenses not directly related to underwriting operations of the Company.
- Federal income tax expense.
- Other Surplus impacts not accounted for by the previous allocations.

Allocation of Investment Income

Investment income was allocated based on incurred claims, which is related to the estimate of reserves that shows the general proportion of the value of the company over time rather than an allocation based upon results and timing of underwriting cycles. The analysis of history indicates the underwriting margins in Alaska and Washington to be generally consistent in producing small underwriting losses offset by investment income gains on surplus and reserves.

The supporting Tables present the Investment Income in two components – interest and dividends, and capital gains and losses. **Table 26** presents the historic dividends and interest of the Company. Interest and dividends have shown a fairly consistent build-up over time as the Company grew.

Table 27 displays the capital gain/(loss) history and this pattern has highs and lows that reflect the investment performance of the market.

The two largest components of historic surplus to allocate are underwriting cash flow and investment income.²¹ The combination of these two components is displayed in **Table 28**. The results of Table 28 are an interim step that shows more surplus than is available. The

²¹ The value of MSC is added to Washington at the end of 1997 in the amount of \$93,322,377 as documented in the notes from the surplus account. MSC sold business exclusively in the State of Washington.

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other items to allocate, other income/expense, federal income tax, and other surplus impacts are reductions to the accumulated surplus.

Allocation of Other Income/Expense

PwC catalogued the entries historically coded to the other income/expense accounts. The values were fairly minor up through 1969. Beginning in 1970, through 1982, we had detail that indicated most of the items were income related to the company cafeteria and other rental income. This income was allocated based on premium revenue for Washington versus Alaska. Then, beginning in 1991, most of the items were expenses. Detail on Other Income/Expense from 1990 through 2001 was requested and provided by Premera.²² In Premera's response, the allocation for certain items was provided, but for other items Premera provided a recommendation for a methodology. PwC wrote a response to Premera outlining its review and understanding of the data provided. Where Premera provided additional data that specifically identified Washington or Alaska, the data were used. Where specific information was not available, the 'unidentified' income or expense was incorporated into the surplus to be allocated, to which the derived share values would be applied. The results of the analysis are presented in Table 29.

Allocation of Federal Income Tax (FIT)

Premera began paying Federal income tax in 1988. Net Income was calculated to be underwriting cash flow (Table 25) plus investment income (from Table 26 and Table 27) plus other income/expense (Table 29, the allocated amount). The FIT rate was calculated for the Company as a whole and applied similarly to Net Income by State. The federal income tax allocation is shown in Table 30.

Allocation of Other Surplus Impacts

Consistent with the process described for Allocation of Other Income/Expense, PwC requested additional data and Premera responded.²³ The actual amounts allocated all pertained to change in non-admitted assets and are detailed in Table 31. Where no allocation was known, the remaining balance was allocated according to the share values determined. The Other Surplus impacts are related to subsidiary transfers (e.g., related to WAGS and the Holding Company) or accounting changes with no detailed information to allocate by State.

²² Several subsequent document requests from Premera, principally E475, E481 and E507 provided additional information related to Other Income/Expense and Other Surplus impacts.

²³ Principal response contained in E507.

7. ADDITIONAL VALUATION CONSIDERATIONS

The historic surplus allocation comprises the first of three components of the determination of an actuarial share value for the State of Washington of the outstanding value of Premera. To the historic surplus allocation one must also add the future value of Premera and evaluate the entire process to determine the need for additional considerations that are not reflected in the straightforward process described in this report.

Incorporation of Future Value of Premera²⁴

The future value of Premera is difficult to gauge. The investment banking community has approaches to characterize the value of the company. From an actuarial view, the use of a projection to value future business needs to be tempered by the probability that the projection represents a likely event. PwC has developed a revised projection²⁵ in conjunction with the State of Washington OIC's investment banking advisors that adjusts several of the assumptions in the 2003-2007 management projection from Premera. The projected growth in net income from operations, also known as underwriting cash flow, is large by historic standards and includes no downturns. Several additional projection scenarios were examined to create a range of possible outcomes.²⁶ Although we recognize the current healthcare marketplace seems ripe for a sustained profit cycle, we discount each year's projection by 15% (similar to a lapse/time value of money discount).²⁷ The resulting future values are

²⁴ By its nature, the future value of Premera generally assumes a status quo projection of results. Premera has provided a projection in its Form A filing that generally forms the basis for PwC's future value of Premera. Premera filed a subsequent projection during the review process of initial OIC consultant's reports. PwC worked with the OIC's Investment Banking consultants (i.e., Blackstone) to analyze all projection materials provided.

²⁵ Refer to the Share Allocation report of The Blackstone Group.

²⁶ Refer to Section 8, Projection of Results.

²⁷ PwC reviewed available actuarial methodologies and standards of practice in the course of its work. Two specific comments are relevant as a result of this review. The first comment relates to the use (or not) of a valuation assumption distinguishing inherent risks between existing business versus new business. Premera's projection provided no such distinction. Further, the management of the large group, ASC, and government lines of business applies principles of risk assessment and analysis consistently across new and existing business. The transformation of the individual market in Washington between 1993 and 2000, and Premera's subsequent re-entry into the market produces an environment in which new business is more favorable in the individual line of business. The "favorable risk" of individual new business more than offsets the one line of business with new business risk, i.e., small group. For the above reasons, the increased complexity of separating existing business versus new business valuations is not necessary or appropriate for this engagement.

The second comment concerns the cost of capital, sometimes used in an appraisal of an insurance company's business. The initial allocation represents an allocation to separate foundations. To the extent subsequent

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added to the values derived from the historic surplus allocation to determine a preliminary share value. The accumulated amounts from 2003 to 2007²⁸ appear at the end of Table 34. Table 34 displays the final surplus accumulation through 2007 for consideration as a preliminary share allocation estimate.

Evaluation of Additional Considerations

The categorization of historic surplus and future value do not provide a complete view of the appropriate split of proceeds from an actuarial perspective. Although the calculation appears to be a stand-alone value, in point of fact, an actuarial assessment considers the financial history including the audit and tax analysis, the financial reporting and analysis provided as a forecast, the pricing of products in the Washington marketplace, and the general interaction of all the data collected to date.

Three specific factors demonstrate that Washington's share should be adjusted from the results of the historic and "future" values analysis.

1. The Alaska business created a strain on capital in the years impacted by the start-up adjustment for expenses; i.e., a time when Alaska was not of sufficient size to fully support its operations. Development of such a health plan in Alaska required capital, which for all intents was loaned from Washington to Alaska since it was the 90/10 parent for 50 years.
2. Alaska is a small state and, outside the State Employees case, Premera-Alaska has a dominant market share that is capped as to upside profit potential.²⁹ On the other hand, Premera-Washington has retooled its product portfolio and systems and stands poised to increase its market share and improve its ability to price its products consistent with the managed care networks used in the delivery of those new products. This qualitative impact is not adequately accounted for in the incremental static projection model presented to the consultants.
3. The State of Alaska is not of sufficient size to warrant its own independent Initial Public Offering (IPO). It is appropriate to credit Washington for providing the vehicle to allow Alaska to participate in the economies of scale of a joint IPO.

capital needs would constrain either foundation, a cost of capital would be appropriate. All projections we reviewed created no such constraint and, therefore, all future capital would not be constrained. Thus, no separate cost of capital calculation is appropriate.

²⁸ After tax net income from sensitivity case discounted for credibility and added to existing allocated totals through 2002.

²⁹ Navigant Consulting. Proposed Executive Summary of the Economic and Market Impact on Alaska of the Proposed Conversion of Premera Blue Cross to a For-Profit Entity. Presented to the Alaska Department of Insurance. September 23, 2003. See also Premera Revised Form A, Amended Exhibit E-8, Alaska Economic Impact Assurances. February 5, 2004.

8. ACTUARIAL ALLOCATION

The preliminary results of the actuarial allocation are shown in the chart below. Due to the long historical time period involved, the chart displays only the ten-year period 1997 to 2007. This selected period coincides with the period for which Premera provided substantial supporting detail through historical record and financial projections. The full historical period is shown in Table 34.

Generally, the preliminary allocation recommendation follows the data as submitted to Premera by the Washington and Alaska actuarial teams for Premera's consideration.³⁰

The goal of the share allocation process is to reach agreement in principle on the allocation value between Washington and Alaska. The following considerations are important factors in understanding the significance of the modifications made to the data collected in the process of this engagement:

- In order to properly analyze healthcare data over long periods of time a best practice is to normalize the data to a benchmark, preferably covered lives or members. In this way, all statistics are on a per-member-per-month basis. When the membership data was reviewed, several inconsistencies were noticed in the period of 1972 to 1977. These inconsistencies were corrected based on an analysis of the data over time. The adjustments do not significantly impact the calculations but provide a more consistent benchmark.
- The communication from Premera representatives related to allocated other expenses³¹ varied over the course of the engagement. At times, later answers on questions related to allocated expenses conflicted with earlier answers or were in conflict with other engagement work-products. The allocated expenses as presented are a reasonable "best estimate" of an appropriate split between Washington and Alaska.
- Several data requests related to other income/expense and other surplus items were submitted to Premera. If the response indicated that an item could be allocated to a state, such allocation was made. If an allocation was recommended, but Premera

³⁰ Delivered to Premera via email on April 30, 2003. Memo titled Premera Underwriting History by State dated April 25, 2003

³¹ Those expenses that are not allocated as a percentage of premium such as commissions and state premium tax

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could not provide sufficient documentation or justification, those income and expense items were excluded from the share allocation calculation.³²

TABLE 8-1 PREMERA CONVERSION SURPLUS SPLIT - FINAL SURPLUS ACCUMULATION*				
	WA	AK	Allocated Total	TOTAL **
1997	-	-	-	\$ 218,956,132
1998	-	-	-	\$ 211,981,752
1999	-	-	-	\$ 250,770,574
2000	-	-	-	\$ 273,281,409
2001	-	Proprietary Material Redacted		\$ 331,170,596
2002	-			\$ 313,794,597
2003	-	-	-	-
2004	-	-	-	-
2005	-	-	-	-
2006	-	-	-	-
2007	-	-	-	-

*15% discount of Underwriting Profit 2004-2007.

** Total column represents an estimate of the amount subject to allocation (and will be replaced by an IPO value). The Total is net of the income and expense adjustments that could not be allocated. The Allocated Total forms the basis for the determination of the preliminary allocation percentage prior to adjustment for additional considerations.

The allocated total as presented produces a result between 81% and 82% for the State of Washington. This allocation represents a preliminary amount as it is prior to adjustment for the additional consideration issues presented in this report.

Loan to Alaska to Support Capital Needs

The first adjustment to apply to the preliminary allocation represents the implied loan between Washington and Alaska during the period that Alaska was essentially a start-up company (subsidiary). The appropriate period during which a "start-up" adjustment for

³² The net impact of these unallocated income and expenses was generally a negative adjustment, i.e., an expense, in each year.

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expenses is required³³ has been identified to be 1953 to 1973. The issue of required capital has been under development for the past number of years. The current accepted benchmark is Risk-Based Capital, or RBC. The State of Washington requires a minimum level of 200% of RBC while the BlueCross and BlueShield Association uses a minimum appropriate level of 375% of RBC. Looking back thirty to fifty years and assessing capital needs requires a more robust actuarial model. Nevertheless, modeling the two benchmarks during the period from 1953 to 1973 indicate Alaska would have required a loan of between \$0 and \$10 million. This value translates to 0% to 2% of the estimated allocation amount.

In summary, the State of Alaska was not of sufficient size to support its capital needs in the early years. The additional premium for this “loan” is in the range of 0% to 2% of allocated share.

Projection of Results

In testing the reasonableness of Premera’s projections of results from 2003 to 2007, the State of Washington consultants³⁴ developed a sensitivity case to Premera’s management projection model. The details of the updated model are available upon request.³⁵ In this sensitivity case, the Washington share increased approximately 1.5%.³⁶ However, based upon the expected economies of scale discussed with Premera management throughout this engagement³⁷ and the under-valuation of the potential of the Dimensions product portfolio PwC believes the sensitivity case does not go far enough to accurately reflect Washington’s appropriate share of the surplus.

In summary, the potential of the Dimensions product portfolio and the resulting economies of scale have not been directly reflected in the future projection for Premera. The Washington share of business is therefore undervalued in the range of 1% to 2% of the total value of Premera.

³³ Table 22, attached to this report.

³⁴ PricewaterhouseCoopers LLP, The Blackstone Group L.P. and Cantilo & Bennett, L.L.P. together constitutes the Washington consultants.

³⁵ Refer to the Share Allocation report of The Blackstone Group.

³⁶ The calculations displayed in Table 34 present the results of the sensitivity case model for 2003 to 2007. Other projections reviewed do not significantly alter the ending share allocation impact.

³⁷ The systems expense is disproportionately allocated to Washington over the 1997 to 2002 period due to the complex systems platform of MSC and its integration over the time period where the organization was integrated into Premera Blue Cross. Large economies of scale in the area of systems costs are yet to be realized and these benefits will accrue to Washington.

IPO Participation Fee

Because of the relatively small size of the insured market in Alaska and the lack of significant in-state growth opportunities, a stand-alone IPO for an Alaska entity would not compare favorably with the Blue Cross and Blue Shield IPOs of the past ten years. By virtue of Washington's substantially larger size, Alaska is able to participate in an IPO at a lower price than would be necessary if that business were offered independently. The magnitude of this fee was determined by a series of analyses, each attempting to quantify the various aspects of the key factors related to an IPO transaction.

The ability to earn an underwriting profit provides one benchmark for an IPO participation fee. Recent underwriting profits for Premera Alaska have been in the range of \$5M to \$10M. The difference in administrative overhead between Alaska, a \$400 million company, and Washington, a \$2.6 billion company, provides another benchmark. The benefit at this economy of scale in the IPO arena is approximately \$5 million for Alaska.

In consideration of all the indicated factors the State of Alaska should pay Washington for the benefit it receives through the joint IPO process. This amount is valued in the range of 0% to 2% of Premera's total value.

Conclusion

When the additional considerations are added to the preliminary valuation, the Washington allocation share is 82% to 88% of the proceeds of the transaction. The midpoint of this range, 85%, is the most likely outcome.

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TABLE 1
PREMERA CONVERSION¹
HISTORICAL DATA REVIEW - MEMBERSHIP RAW DATA

	WA	WA (Corr)	AK	TOTAL
1946	90,980	90,980		90,980
1947	93,918	93,918		93,918
1948	107,666	107,666		107,666
1949	100,107	100,107		100,107
1950	102,015	102,015		102,015
1951	106,962	106,962		106,962
1952	144,566	144,566		144,566
1953	143,306	143,306	3,890	147,196
1954	144,222	144,222	3,901	148,123
1955	158,790	158,790	8,212	167,002
1956	163,111	163,111	9,909	173,020
1957				187,785
1958				204,457
1959				208,086
1960				234,906
1961	257,307	228,290	29,645	257,935
1962	227,239	246,811	30,940	277,751
1963	268,116	268,116	23,757	291,873
1964	285,674	285,674	24,841	310,515
1965	293,419	293,419	21,581	315,000
1966	309,440	309,440	17,404	326,844
1967	316,389	316,389	22,615	339,004
1968	352,445	352,445	24,459	376,904
1969	378,470	378,470	28,873	407,343
1970	395,011	395,011	29,986	424,997
1971	380,987	380,987	60,160	441,147
1972	503,319	503,319	57,553	560,872
1973	523,274	523,274	56,453	579,727
1974	564,897	564,897	66,780	631,677
1975	582,190	582,190	64,688	646,878
1976	646,348	646,348	62,773	709,121
1977	647,196	647,196	108,556	755,752
1978	650,703	650,703	96,490	747,193
1979	668,384	668,384	91,183	759,567
1980	711,251	711,251	112,108	823,359
1981	742,899	742,899	122,865	865,764
1982	644,851	644,851	91,934	736,785
1983	571,168	571,168	82,223	653,391
1984	585,483	585,483	82,046	667,529
1985	618,929	618,929	81,673	700,602
1986	611,387	611,387	81,325	692,712
1987	555,568	555,568	76,814	632,382
1988	353,112	353,112	72,281	425,393
1989	335,385	335,385	72,212	407,597
1990	348,774	348,774	79,687	428,461

¹ Data includes GAAP and STAT information.

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<p>TABLE 1 PREMERA CONVERSION ¹ HISTORICAL DATA REVIEW - MEMBERSHIP RAW DATA</p>				
	WA	WA (Corr)	AK	TOTAL
1991	394,054	394,054	86,702	480,756
1992	425,908	425,908	86,987	512,895
1993	454,077	454,077	85,516	539,593
1994	517,221	517,221	91,620	608,841
1995	586,609	586,609	97,971	684,580
1996	612,985	612,985	85,667	698,652
1997	555,356	555,356	87,050	642,406
1998	708,239	708,239	83,691	791,930
1999	703,583	703,583	85,385	788,968
2000	889,046	889,046	92,616	981,662
2001	870,032	870,032	104,763	974,795
2002	806,262	806,262	106,182	912,444

¹ Data includes GAAP and STAT information.

TABLE 2 PREMERA CONVERSION ¹ HISTORICAL DATA REVIEW - MEMBERSHIP COMPLETED DATA			
	WA	AK	TOTAL
1946	90,980		90,980
1947	93,918		93,918
1948	107,666		107,666
1949	100,107		100,107
1950	102,015		102,015
1951	106,962		106,962
1952	144,566		144,566
1953	143,306	3,890	147,196
1954	144,222	3,901	148,123
1955	158,790	8,212	167,002
1956	163,111	9,909	173,020
1957	174,070	13,715	187,785
1958	188,131	16,326	204,457
1959	188,365	19,721	208,086
1960	211,269	23,637	234,906
1961	228,290	29,645	257,935
1962	246,811	30,940	277,751
1963	268,116	23,757	291,873
1964	285,674	24,841	310,515
1965	293,419	21,581	315,000
1966	309,440	17,404	326,844
1967	316,389	22,615	339,004
1968	352,445	24,459	376,904
1969	378,470	28,873	407,343
1970	395,011	29,986	424,997
1971	380,987	60,160	441,147
1972	503,319	57,553	560,872
1973	523,274	56,453	579,727
1974	564,897	66,780	631,677
1975	582,190	64,688	646,878
1976	646,348	62,773	709,121
1977	647,196	108,556	755,752
1978	650,703	96,490	747,193
1979	668,384	91,183	759,567
1980	711,251	112,108	823,359
1981	742,899	122,865	865,764
1982	644,851	91,934	736,785
1983	571,168	82,223	653,391
1984	585,483	82,046	667,529
1985	618,929	81,673	700,602
1986	611,387	81,325	692,712
1987	555,568	76,814	632,382
1988	353,112	72,281	425,393
1989	335,385	72,212	407,597
1990	348,774	79,687	428,461

¹ Data includes GAAP and STAT information.

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TABLE 2 PREMERA CONVERSION ¹ HISTORICAL DATA REVIEW - MEMBERSHIP COMPLETED DATA			
	WA	AK	TOTAL
1991	394,054	86,702	480,756
1992	425,908	86,987	512,895
1993	454,077	85,516	539,593
1994	517,221	91,620	608,841
1995	586,609	97,971	684,580
1996	612,985	85,667	698,652
1997	555,356	87,050	642,406
1998	708,239	83,691	791,930
1999	703,583	85,385	788,968
2000	889,046	92,616	981,662
2001	870,032	104,763	974,795
2002	806,262	106,182	912,444

¹ Data includes GAAP and STAT information.

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TABLE 3			
PREMERA CONVERSION ¹			
HISTORICAL DATA REVIEW - MEMBERSHIP ADJUSTED DATA			
	WA	AK	TOTAL
1946	90,980		90,980
1947	93,918		93,918
1948	107,666		107,666
1949	100,107		100,107
1950	102,015		102,015
1951	106,962		106,962
1952	144,566		144,566
1953	143,306	3,890	147,196
1954	144,222	3,901	148,123
1955	158,790	8,212	167,002
1956	163,111	9,909	173,020
1957	174,070	13,715	187,785
1958	188,131	16,326	204,457
1959	188,365	19,721	208,086
1960	211,269	23,637	234,906
1961	228,290	29,645	257,935
1962	246,811	30,940	277,751
1963	268,116	23,757	291,873
1964	285,674	24,841	310,515
1965	293,419	21,581	315,000
1966	309,440	17,404	326,844
1967	316,389	22,615	339,004
1968	352,445	24,459	376,904
1969	378,470	28,873	407,343
1970	395,011	29,986	424,997
1971	380,987	60,160	441,147
1972	494,427	66,445	560,872
1973	504,500	75,227	579,727
1974	551,677	80,000	631,677
1975	546,878	100,000	646,878
1976	619,121	90,000	709,121
1977	637,752	118,000	755,752
1978	650,703	96,490	747,193
1979	668,384	91,183	759,567
1980	711,251	112,108	823,359
1981	742,899	122,865	865,764
1982	644,851	91,934	736,785
1983	571,168	82,223	653,391
1984	585,483	82,046	667,529
1985	618,929	81,673	700,602
1986	611,387	81,325	692,712
1987	555,568	76,814	632,382
1988	353,112	72,281	425,393
1989	335,385	72,212	407,597
1990	348,774	79,687	428,461

¹ Data includes GAAP and STAT information.

TABLE 3 PREMERA CONVERSION ¹ HISTORICAL DATA REVIEW - MEMBERSHIP ADJUSTED DATA			
	WA	AK	TOTAL
1991	394,054	86,702	480,756
1992	425,908	86,987	512,895
1993	454,077	85,516	539,593
1994	517,221	91,620	608,841
1995	586,609	97,971	684,580
1996	612,985	85,667	698,652
1997	555,356	87,050	642,406
1998	708,239	83,691	791,930
1999	703,583	85,385	788,968
2000	889,046	92,616	981,662
2001	870,032	104,763	974,795
2002	806,262	106,182	912,444

¹ Data includes GAAP and STAT information.

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TABLE 4			
PREMERA CONVERSION ¹			
HISTORICAL DATA REVIEW - PREMIUM RAW DATA			
	WA	AK	TOTAL
1946	\$ 882,888		\$ 882,888
1947	\$ 1,144,992		\$ 1,144,992
1948	\$ 1,248,721		\$ 1,248,721
1949	\$ 1,421,119		\$ 1,421,119
1950	\$ 2,069,615		\$ 2,069,615
1951	\$ 2,362,185		\$ 2,362,185
1952	\$ 3,338,407		\$ 3,338,407
1953			\$ 4,380,590
1954			\$ 4,749,044
1955			\$ 5,363,983
1956			\$ 6,444,422
1957			\$ 7,216,929
1958			\$ 8,145,642
1959			\$ 8,687,953
1960			\$ 9,795,228
1961	\$ 10,427,867	\$ 1,480,025	\$ 11,907,892
1962	\$ 11,996,038	\$ 1,823,793	\$ 13,819,831
1963	\$ 13,836,251	\$ 1,197,688	\$ 15,033,939
1964	\$ 15,661,643	\$ 1,261,824	\$ 16,923,467
1965	\$ 17,995,877	\$ 1,585,829	\$ 19,581,706
1966	\$ 19,559,141	\$ 1,231,726	\$ 20,790,868
1967	\$ 19,698,384	\$ 1,636,261	\$ 21,334,645
1968	\$ 23,762,781	\$ 2,054,618	\$ 25,817,399
1969	\$ 28,779,907	\$ 2,431,285	\$ 31,211,192
1970	\$ 33,368,319	\$ 3,159,730	\$ 36,528,048
1971	\$ 38,672,662	\$ 5,553,367	\$ 44,226,030
1972	\$ 49,413,247	\$ 8,834,418	\$ 58,247,665
1973	\$ 59,076,911	\$ 10,556,968	\$ 69,633,879
1974	\$ 68,464,598	\$ 13,361,892	\$ 81,826,490
1975	\$ 79,152,433	\$ 20,837,784	\$ 99,990,217
1976	\$ 97,946,018	\$ 28,156,304	\$ 126,102,322
1977	\$ 128,786,519	\$ 32,455,268	\$ 161,241,787
1978	\$ 151,402,789	\$ 31,260,411	\$ 182,663,200
1979	\$ 166,480,329	\$ 32,203,806	\$ 198,684,135
1980	\$ 202,139,862	\$ 43,075,977	\$ 245,215,839
1981	\$ 262,696,900	\$ 55,170,090	\$ 317,866,990
1982	\$ 300,556,665	\$ 51,259,366	\$ 351,816,031
1983	\$ 327,757,871	\$ 45,743,332	\$ 373,501,203
1984	\$ 329,915,446	\$ 50,970,746	\$ 380,886,192
1985	\$ 357,524,239	\$ 57,459,085	\$ 414,983,324
1986	\$ 390,388,238	\$ 58,785,073	\$ 449,173,311
1987	\$ 402,624,498	\$ 61,189,425	\$ 463,813,923
1988	\$ 354,641,251	\$ 64,881,104	\$ 419,522,355
1989	\$ 288,780,168	\$ 69,391,573	\$ 358,171,741
1990	\$ 326,863,189	\$ 82,186,157	\$ 409,049,346

¹ Data includes GAAP and STAT information.

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TABLE 4 PREMERA CONVERSION 1 HISTORICAL DATA REVIEW - PREMIUM RAW DATA			
	WA	AK	TOTAL
1991	\$ 388,966,528	\$ 90,941,465	\$ 479,907,993
1992	\$ 456,674,771	\$ 97,519,295	\$ 554,194,066
1993	\$ 514,721,662	\$ 103,685,243	\$ 618,406,905
1994	\$ 575,036,329	\$ 134,154,917	\$ 709,191,246
1995	\$ 653,369,148	\$ 144,748,530	\$ 798,117,678
1996	\$ 745,923,431	\$ 147,327,247	\$ 893,250,678
1997	\$ 736,769,457	\$ 141,256,228	\$ 878,025,685
1998	\$ 1,034,831,787	\$ 155,737,837	\$ 1,190,569,624
1999	\$ 1,124,268,520	\$ 166,799,449	\$ 1,291,067,969
2000	\$ 1,578,775,898	\$ 191,665,630	\$ 1,770,441,528
2001	\$ 1,824,369,764	\$ 250,055,643	\$ 2,074,425,407
2002	\$ 1,854,840,042	\$ 292,970,014	\$ 2,147,810,056

¹ Data includes GAAP and STAT information.

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TABLE 5 PREMERA CONVERSION ¹ HISTORICAL DATA REVIEW - PREMIUM COMPLETED DATA			
	WA	AK	TOTAL
1946	\$ 882,888		\$ 882,888
1947	\$ 1,144,992		\$ 1,144,992
1948	\$ 1,248,721		\$ 1,248,721
1949	\$ 1,421,119		\$ 1,421,119
1950	\$ 2,069,615		\$ 2,069,615
1951	\$ 2,362,185		\$ 2,362,185
1952	\$ 3,338,407		\$ 3,338,407
1953	\$ 4,264,823	\$ 115,767	\$ 4,380,590
1954	\$ 4,621,301	\$ 127,743	\$ 4,749,044
1955	\$ 5,088,953	\$ 275,030	\$ 5,363,983
1956	\$ 6,051,697	\$ 392,725	\$ 6,444,422
1957	\$ 6,706,876	\$ 510,053	\$ 7,216,929
1958	\$ 7,460,770	\$ 684,871	\$ 8,145,642
1959	\$ 7,841,035	\$ 846,919	\$ 8,687,953
1960	\$ 8,709,078	\$ 1,086,150	\$ 9,795,228
1961	\$ 10,427,867	\$ 1,480,025	\$ 11,907,892
1962	\$ 11,996,038	\$ 1,823,793	\$ 13,819,831
1963	\$ 13,836,251	\$ 1,197,688	\$ 15,033,939
1964	\$ 15,661,643	\$ 1,261,824	\$ 16,923,467
1965	\$ 17,995,877	\$ 1,585,829	\$ 19,581,706
1966	\$ 19,559,141	\$ 1,231,726	\$ 20,790,868
1967	\$ 19,698,384	\$ 1,636,261	\$ 21,334,645
1968	\$ 23,762,781	\$ 2,054,618	\$ 25,817,399
1969	\$ 28,779,907	\$ 2,431,285	\$ 31,211,192
1970	\$ 33,368,319	\$ 3,159,730	\$ 36,528,048
1971	\$ 38,672,662	\$ 5,553,367	\$ 44,226,030
1972	\$ 49,413,247	\$ 8,834,418	\$ 58,247,665
1973	\$ 59,076,911	\$ 10,556,968	\$ 69,633,879
1974	\$ 68,464,598	\$ 13,361,892	\$ 81,826,490
1975	\$ 79,152,433	\$ 20,837,784	\$ 99,990,217
1976	\$ 97,946,018	\$ 28,156,304	\$ 126,102,322
1977	\$ 128,786,519	\$ 32,455,268	\$ 161,241,787
1978	\$ 151,402,789	\$ 31,260,411	\$ 182,663,200
1979	\$ 166,480,329	\$ 32,203,806	\$ 198,684,135
1980	\$ 202,139,862	\$ 43,075,977	\$ 245,215,839
1981	\$ 262,696,900	\$ 55,170,090	\$ 317,866,990
1982	\$ 300,556,665	\$ 51,259,366	\$ 351,816,031
1983	\$ 327,757,871	\$ 45,743,332	\$ 373,501,203
1984	\$ 329,915,446	\$ 50,970,746	\$ 380,886,192
1985	\$ 357,524,239	\$ 57,459,085	\$ 414,983,324
1986	\$ 390,388,238	\$ 58,785,073	\$ 449,173,311
1987	\$ 402,624,498	\$ 61,189,425	\$ 463,813,923
1988	\$ 354,641,251	\$ 64,881,104	\$ 419,522,355
1989	\$ 288,780,168	\$ 69,391,573	\$ 358,171,741
1990	\$ 326,863,189	\$ 82,186,157	\$ 409,049,346

¹ Data includes GAAP and STAT information.

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TABLE 5
PREMERA CONVERSION ¹
HISTORICAL DATA REVIEW - PREMIUM COMPLETED DATA

	WA	AK	TOTAL
1991	\$ 388,966,528	\$ 90,941,465	\$ 479,907,993
1992	\$ 456,674,771	\$ 97,519,295	\$ 554,194,066
1993	\$ 514,721,662	\$ 103,685,243	\$ 618,406,905
1994	\$ 575,036,329	\$ 134,154,917	\$ 709,191,246
1995	\$ 653,369,148	\$ 144,748,530	\$ 798,117,678
1996	\$ 745,923,431	\$ 147,327,247	\$ 893,250,678
1997	\$ 736,769,457	\$ 141,256,228	\$ 878,025,685
1998	\$ 1,034,831,787	\$ 155,737,837	\$ 1,190,569,624
1999	\$ 1,124,268,520	\$ 166,799,449	\$ 1,291,067,969
2000	\$ 1,578,775,898	\$ 191,665,630	\$ 1,770,441,528
2001	\$ 1,824,369,764	\$ 250,055,643	\$ 2,074,425,407
2002	\$ 1,854,840,042	\$ 292,970,014	\$ 2,147,810,056

¹ Data includes GAAP and STAT information.

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TABLE 6
PREMERA CONVERSION ¹
HISTORICAL DATA REVIEW - PREMIUM PMPM

	WA	AK	TOTAL	AK vs. WA
1946	\$ 0.81		\$ 0.81	
1947	\$ 1.03		\$ 1.03	
1948	\$ 1.03		\$ 1.03	
1949	\$ 1.14		\$ 1.14	
1950	\$ 1.71		\$ 1.71	
1951	\$ 1.88		\$ 1.88	
1952	\$ 2.21		\$ 2.21	
1953	\$ 2.47	\$ 2.48	\$ 2.50	1.00
1954	\$ 2.68	\$ 2.73	\$ 2.68	1.02
1955	\$ 2.80	\$ 3.78	\$ 2.84	1.35
1956	\$ 3.13	\$ 3.61	\$ 3.16	1.15
1957	\$ 3.32	\$ 3.60	\$ 3.33	1.09
1958	\$ 3.43	\$ 3.80	\$ 3.46	1.11
1959	\$ 3.47	\$ 3.92	\$ 3.51	1.13
1960	\$ 3.63	\$ 4.18	\$ 3.69	1.15
1961	\$ 3.95	\$ 4.63	\$ 4.03	1.17
1962	\$ 4.21	\$ 5.02	\$ 4.30	1.19
1963	\$ 4.48	\$ 3.65	\$ 4.40	0.81
1964	\$ 4.71	\$ 4.33	\$ 4.68	0.92
1965	\$ 5.18	\$ 5.69	\$ 5.22	1.10
1966	\$ 5.41	\$ 5.27	\$ 5.40	0.97
1967	\$ 5.25	\$ 6.81	\$ 5.34	1.30
1968	\$ 5.92	\$ 7.27	\$ 6.01	1.23
1969	\$ 6.56	\$ 7.60	\$ 6.63	1.16
1970	\$ 7.19	\$ 8.95	\$ 7.31	1.24
1971	\$ 8.31	\$ 10.27	\$ 8.51	1.24
1972	\$ 9.41	\$ 11.63	\$ 9.69	1.24
1973	\$ 9.86	\$ 12.42	\$ 10.18	1.26
1974	\$ 10.80	\$ 14.35	\$ 11.26	1.33
1975	\$ 12.01	\$ 19.29	\$ 13.03	1.61
1976	\$ 14.00	\$ 24.70	\$ 15.50	1.76
1977	\$ 17.08	\$ 26.01	\$ 18.35	1.52
1978	\$ 19.58	\$ 24.29	\$ 20.26	1.24
1979	\$ 21.03	\$ 28.60	\$ 21.98	1.36
1980	\$ 24.42	\$ 35.32	\$ 25.82	1.45
1981	\$ 30.11	\$ 39.13	\$ 31.36	1.30
1982	\$ 36.10	\$ 39.77	\$ 36.59	1.10
1983	\$ 44.92	\$ 43.78	\$ 44.78	0.97
1984	\$ 47.54	\$ 51.71	\$ 48.06	1.09
1985	\$ 49.47	\$ 58.49	\$ 50.55	1.18
1986	\$ 52.88	\$ 60.11	\$ 53.73	1.14
1987	\$ 57.50	\$ 64.49	\$ 58.34	1.12
1988	\$ 65.05	\$ 72.53	\$ 66.10	1.12
1989	\$ 69.91	\$ 80.04	\$ 71.66	1.14
1990	\$ 79.63	\$ 90.18	\$ 81.54	1.13

¹ Data includes GAAP and STAT information.

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TABLE 6
PREMERA CONVERSION ¹
HISTORICAL DATA REVIEW - PREMIUM PMPM

	WA	AK	TOTAL	AK vs. WA
1991	\$ 87.27	\$ 91.09	\$ 87.97	1.04
1992	\$ 92.82	\$ 93.58	\$ 92.96	1.01
1993	\$ 97.49	\$ 100.18	\$ 97.93	1.03
1994	\$ 98.67	\$ 126.23	\$ 102.92	1.28
1995	\$ 98.65	\$ 127.25	\$ 102.84	1.29
1996	\$ 103.64	\$ 133.71	\$ 107.63	1.29
1997	\$ 105.10	\$ 136.31	\$ 109.12	1.30
1998	\$ 116.02	\$ 152.02	\$ 119.73	1.31
1999	\$ 132.72	\$ 164.42	\$ 136.11	1.24
2000	\$ 165.22	\$ 179.46	\$ 166.65	1.09
2001	\$ 172.85	\$ 211.15	\$ 176.72	1.22
2002	\$ 184.42	\$ 231.47	\$ 189.68	1.26

¹ Data includes GAAP and STAT information.

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TABLE 7
PREMERA CONVERSION 1
HISTORICAL DATA REVIEW - CLAIMS RAW DATA

	WA	AK	TOTAL
1946	\$ 832,880		\$ 832,880
1947	\$ 840,730		\$ 840,730
1948	\$ 942,035		\$ 942,035
1949	\$ 1,183,979		\$ 1,183,979
1950	\$ 1,530,123		\$ 1,530,123
1951	\$ 1,890,182		\$ 1,890,182
1952	\$ 2,615,166		\$ 2,615,166
1953			\$ 3,399,383
1954			\$ 3,661,415
1955			\$ 4,270,713
1956			\$ 5,047,852
1957			\$ 5,858,535
1958			\$ 7,034,966
1959			\$ 7,282,989
1960			\$ 8,543,362
1961	\$ 8,879,752	\$ 1,795,087	\$ 10,674,839
1962	\$ 11,514,763	\$ 704,181	\$ 12,218,944
1963	\$ 12,554,047	\$ 1,073,837	\$ 13,627,884
1964	\$ 14,595,137	\$ 1,197,650	\$ 15,792,787
1965	\$ 16,242,998	\$ 1,468,614	\$ 17,711,611
1966	\$ 16,872,787	\$ 1,594,546	\$ 18,467,333
1967	\$ 17,311,299	\$ 1,418,373	\$ 18,729,672
1968	\$ 20,340,156	\$ 1,788,061	\$ 22,128,216
1969	\$ 24,819,810	\$ 2,325,491	\$ 27,145,300
1970	\$ 29,735,532	\$ 2,807,333	\$ 32,542,865
1971	\$ 35,831,207	\$ 4,191,132	\$ 40,022,340
1972	\$ 43,847,276	\$ 8,862,552	\$ 52,709,828
1973	\$ 53,829,002	\$ 9,525,999	\$ 63,355,001
1974	\$ 64,378,766	\$ 9,398,174	\$ 73,776,940
1975	\$ 72,828,631	\$ 17,933,747	\$ 90,762,378
1976	\$ 89,934,669	\$ 25,439,126	\$ 115,373,795
1977	\$ 115,980,817	\$ 29,380,307	\$ 145,361,124
1978	\$ 130,250,940	\$ 29,016,489	\$ 159,267,429
1979	\$ 147,166,273	\$ 33,585,199	\$ 180,751,472
1980	\$ 193,114,564	\$ 42,395,764	\$ 235,510,328
1981	\$ 254,069,436	\$ 48,377,991	\$ 302,447,427
1982	\$ 285,839,604	\$ 47,224,797	\$ 333,064,401
1983	\$ 294,450,374	\$ 37,334,934	\$ 331,785,308
1984	\$ 289,810,276	\$ 44,522,374	\$ 334,332,650
1985	\$ 311,098,289	\$ 49,785,626	\$ 360,883,915
1986	\$ 363,836,919	\$ 55,944,882	\$ 419,781,801
1987	\$ 398,685,700	\$ 55,609,830	\$ 454,295,530
1988	\$ 351,819,655	\$ 56,838,323	\$ 408,657,978
1989	\$ 234,814,978	\$ 60,723,890	\$ 295,538,868
1990	\$ 273,560,721	\$ 66,706,885	\$ 340,267,606

¹ Data includes GAAP and STAT information.

TABLE 7
PREMERA CONVERSION ¹
HISTORICAL DATA REVIEW - CLAIMS RAW DATA

	WA	AK	TOTAL
1991	\$ 331,976,125	\$ 82,512,083	\$ 414,488,208
1992	\$ 378,765,569	\$ 94,623,753	\$ 473,389,322
1993	\$ 418,452,400	\$ 109,070,166	\$ 527,522,566
1994	\$ 500,028,035	\$ 117,242,317	\$ 617,270,352
1995	\$ 602,989,745	\$ 129,102,736	\$ 732,092,481
1996	\$ 666,015,523	\$ 132,551,999	\$ 798,567,522
1997	\$ 654,393,613	\$ 121,228,172	\$ 775,621,785
1998	\$ 893,352,715	\$ 135,669,071	\$ 1,029,021,786
1999	\$ 951,945,984	\$ 138,127,099	\$ 1,090,073,083
2000	\$ 1,356,648,128	\$ 159,445,959	\$ 1,516,094,087
2001	\$ 1,554,986,801	\$ 212,386,020	\$ 1,766,532,821
2002	\$ 1,580,561,845	\$ 241,682,545	\$ 1,822,244,390

¹ Data includes GAAP and STAT information.

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TABLE 8:
PREMERA CONVERSION ¹
HISTORICAL DATA REVIEW - CLAIMS COMPLETED DATA

	WA	AK	TOTAL
1946	\$ 832,880		\$ 832,880
1947	\$ 840,730		\$ 840,730
1948	\$ 942,035		\$ 942,035
1949	\$ 1,183,979		\$ 1,183,979
1950	\$ 1,530,123		\$ 1,530,123
1951	\$ 1,890,182		\$ 1,890,182
1952	\$ 2,615,166		\$ 2,615,166
1953	\$ 3,309,546	\$ 89,837	\$ 3,399,383
1954	\$ 3,562,928	\$ 98,487	\$ 3,661,415
1955	\$ 4,051,739	\$ 218,974	\$ 4,270,713
1956	\$ 4,740,235	\$ 307,618	\$ 5,047,852
1957	\$ 5,444,486	\$ 414,049	\$ 5,858,535
1958	\$ 6,443,478	\$ 591,488	\$ 7,034,966
1959	\$ 6,573,029	\$ 709,960	\$ 7,282,989
1960	\$ 7,596,026	\$ 947,336	\$ 8,543,362
1961	\$ 8,879,752	\$ 1,795,087	\$ 10,674,839
1962	\$ 11,514,763	\$ 704,181	\$ 12,218,944
1963	\$ 12,554,047	\$ 1,073,837	\$ 13,627,884
1964	\$ 14,595,137	\$ 1,197,650	\$ 15,792,787
1965	\$ 16,242,998	\$ 1,468,614	\$ 17,711,611
1966	\$ 16,872,787	\$ 1,594,546	\$ 18,467,333
1967	\$ 17,311,299	\$ 1,418,373	\$ 18,729,672
1968	\$ 20,340,156	\$ 1,788,061	\$ 22,128,216
1969	\$ 24,819,810	\$ 2,325,491	\$ 27,145,300
1970	\$ 29,735,532	\$ 2,807,333	\$ 32,542,865
1971	\$ 35,831,207	\$ 4,191,132	\$ 40,022,340
1972	\$ 43,847,276	\$ 8,862,552	\$ 52,709,828
1973	\$ 53,829,002	\$ 9,525,999	\$ 63,355,001
1974	\$ 64,378,766	\$ 9,398,174	\$ 73,776,940
1975	\$ 72,828,631	\$ 17,933,747	\$ 90,762,378
1976	\$ 89,934,669	\$ 25,439,126	\$ 115,373,795
1977	\$ 115,980,817	\$ 29,380,307	\$ 145,361,124
1978	\$ 130,250,940	\$ 29,016,489	\$ 159,267,429
1979	\$ 147,166,273	\$ 33,585,199	\$ 180,751,472
1980	\$ 193,114,564	\$ 42,395,764	\$ 235,510,328
1981	\$ 254,069,436	\$ 48,377,991	\$ 302,447,427
1982	\$ 285,839,604	\$ 47,224,797	\$ 333,064,401
1983	\$ 294,450,374	\$ 37,334,934	\$ 331,785,308
1984	\$ 289,810,276	\$ 44,522,374	\$ 334,332,650
1985	\$ 311,098,289	\$ 49,785,626	\$ 360,883,915
1986	\$ 363,836,919	\$ 55,944,882	\$ 419,781,801
1987	\$ 398,685,700	\$ 55,609,830	\$ 454,295,530
1988	\$ 351,819,655	\$ 56,838,323	\$ 408,657,978
1989	\$ 234,814,978	\$ 60,723,890	\$ 295,538,868
1990	\$ 273,560,721	\$ 66,706,885	\$ 340,267,606

¹ Data includes GAAP and STAT information.

TABLE 8 PREMERA CONVERSION ¹ HISTORICAL DATA REVIEW - CLAIMS COMPLETED DATA			
	WA	AK	TOTAL
1991	\$ 331,976,125	\$ 82,512,083	\$ 414,488,208
1992	\$ 378,765,569	\$ 94,623,753	\$ 473,389,322
1993	\$ 418,452,400	\$ 109,070,166	\$ 527,522,566
1994	\$ 500,028,035	\$ 117,242,317	\$ 617,270,352
1995	\$ 602,989,745	\$ 129,102,736	\$ 732,092,481
1996	\$ 666,015,523	\$ 132,551,999	\$ 798,567,522
1997	\$ 654,393,613	\$ 121,228,172	\$ 775,621,785
1998	\$ 893,352,715	\$ 135,669,071	\$ 1,029,021,786
1999	\$ 951,945,984	\$ 138,127,099	\$ 1,090,073,083
2000	\$ 1,356,648,128	\$ 159,445,959	\$ 1,516,094,087
2001	\$ 1,554,247,744	\$ 212,285,077	\$ 1,766,532,821
2002	\$ 1,580,561,845	\$ 241,682,545	\$ 1,822,244,390

¹ Data includes GAAP and STAT information.

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TABLE 9 PREMERA CONVERSION ¹ HISTORICAL DATA REVIEW – MEDICAL LOSS RATIOS			
	WA	AK	TOTAL
1946	94.3%		94.3%
1947	73.4%		73.4%
1948	75.4%		75.4%
1949	83.3%		83.3%
1950	73.9%		73.9%
1951	80.0%		80.0%
1952	78.3%		78.3%
1953	77.6%	77.6%	77.6%
1954	77.1%	77.1%	77.1%
1955	79.6%	79.6%	79.6%
1956	78.3%	78.3%	78.3%
1957	81.2%	81.2%	81.2%
1958	86.4%	86.4%	86.4%
1959	83.8%	83.8%	83.8%
1960	87.2%	87.2%	87.2%
1961	85.2%	121.3%	89.6%
1962	96.0%	38.6%	88.4%
1963	90.7%	89.7%	90.6%
1964	93.2%	94.9%	93.3%
1965	90.3%	92.6%	90.4%
1966	86.3%	129.5%	88.8%
1967	87.9%	86.7%	87.8%
1968	85.6%	87.0%	85.7%
1969	86.2%	95.6%	87.0%
1970	89.1%	88.8%	89.1%
1971	92.7%	75.5%	90.5%
1972	88.7%	100.3%	90.5%
1973	91.1%	90.2%	91.0%
1974	94.0%	70.3%	90.2%
1975	92.0%	86.1%	90.8%
1976	91.8%	90.3%	91.5%
1977	90.1%	90.5%	90.2%
1978	86.0%	92.8%	87.2%
1979	88.4%	104.3%	91.0%
1980	95.5%	98.4%	96.0%
1981	96.7%	87.7%	95.1%
1982	95.1%	92.1%	94.7%
1983	89.8%	81.6%	88.8%
1984	87.8%	87.3%	87.8%
1985	87.0%	86.6%	87.0%
1986	93.2%	95.2%	93.5%
1987	99.0%	90.9%	97.9%
1988	99.2%	87.6%	97.4%
1989	81.3%	87.5%	82.5%
1990	83.7%	81.2%	83.2%

¹ Data includes GAAP and STAT information.

TABLE 9 PREMERA CONVERSION ¹ HISTORICAL DATA REVIEW – MEDICAL LOSS RATIOS			
	WA	AK	TOTAL
1991	85.3%	90.7%	86.4%
1992	82.9%	97.0%	85.4%
1993	81.3%	105.2%	85.3%
1994	87.0%	87.4%	87.0%
1995	92.3%	89.2%	91.7%
1996	89.3%	90.0%	89.4%
1997	88.8%	85.8%	88.3%
1998	86.3%	87.1%	86.4%
1999	84.7%	82.8%	84.4%
2000	85.9%	83.2%	85.6%
2001	85.2%	84.9%	85.2%
2002	85.2%	82.5%	84.8%

¹ Data includes GAAP and STAT information.

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TABLE 10
PREMERA CONVERSION ¹
HISTORICAL DATA REVIEW - CLAIMS PMPM

	WA	AK	TOTAL
1946	\$ 0.76		\$ 0.76
1947	\$ 0.76		\$ 0.76
1948	\$ 0.78		\$ 0.78
1949	\$ 0.95		\$ 0.95
1950	\$ 1.26		\$ 1.26
1951	\$ 1.51		\$ 1.51
1952	\$ 1.73		\$ 1.73
1953	\$ 1.92	\$ 1.92	\$ 1.94
1954	\$ 2.07	\$ 2.11	\$ 2.07
1955	\$ 2.23	\$ 3.01	\$ 2.26
1956	\$ 2.45	\$ 2.83	\$ 2.47
1957	\$ 2.69	\$ 2.92	\$ 2.71
1958	\$ 2.96	\$ 3.28	\$ 2.99
1959	\$ 2.91	\$ 3.28	\$ 2.94
1960	\$ 3.17	\$ 3.64	\$ 3.21
1961	\$ 3.37	\$ 5.61	\$ 3.61
1962	\$ 4.04	\$ 1.94	\$ 3.80
1963	\$ 4.06	\$ 3.27	\$ 3.99
1964	\$ 4.39	\$ 4.11	\$ 4.37
1965	\$ 4.67	\$ 5.27	\$ 4.72
1966	\$ 4.66	\$ 6.82	\$ 4.80
1967	\$ 4.61	\$ 5.91	\$ 4.69
1968	\$ 5.07	\$ 6.33	\$ 5.15
1969	\$ 5.66	\$ 7.27	\$ 5.77
1970	\$ 6.41	\$ 7.95	\$ 6.52
1971	\$ 7.70	\$ 7.75	\$ 7.70
1972	\$ 8.35	\$ 11.67	\$ 8.77
1973	\$ 8.98	\$ 11.21	\$ 9.26
1974	\$ 10.16	\$ 10.09	\$ 10.15
1975	\$ 11.05	\$ 16.61	\$ 11.83
1976	\$ 12.86	\$ 22.32	\$ 14.18
1977	\$ 15.38	\$ 23.54	\$ 16.54
1978	\$ 16.85	\$ 22.55	\$ 17.66
1979	\$ 18.59	\$ 29.83	\$ 19.99
1980	\$ 23.33	\$ 34.76	\$ 24.80
1981	\$ 29.12	\$ 34.31	\$ 29.84
1982	\$ 34.33	\$ 36.64	\$ 34.64
1983	\$ 40.36	\$ 35.73	\$ 39.78
1984	\$ 41.76	\$ 45.17	\$ 42.18
1985	\$ 43.05	\$ 50.68	\$ 43.96
1986	\$ 49.29	\$ 57.20	\$ 50.21
1987	\$ 56.94	\$ 58.61	\$ 57.14
1988	\$ 64.53	\$ 63.54	\$ 64.39
1989	\$ 56.84	\$ 70.04	\$ 59.13
1990	\$ 66.64	\$ 73.19	\$ 67.83

¹ Data includes GAAP and STAT information.

TABLE 10
PREMERA CONVERSION ¹
HISTORICAL DATA REVIEW - CLAIMS PMPM

	WA	AK	TOTAL
1991	\$ 74.48	\$ 82.65	\$ 75.98
1992	\$ 76.99	\$ 90.80	\$ 79.40
1993	\$ 79.25	\$ 105.38	\$ 83.54
1994	\$ 85.80	\$ 110.31	\$ 89.58
1995	\$ 91.05	\$ 113.49	\$ 94.34
1996	\$ 92.53	\$ 120.30	\$ 96.22
1997	\$ 93.35	\$ 116.98	\$ 96.39
1998	\$ 100.16	\$ 132.43	\$ 103.48
1999	\$ 112.38	\$ 136.16	\$ 114.92
2000	\$ 141.97	\$ 149.29	\$ 142.71
2001	\$ 147.26	\$ 179.25	\$ 150.49
2002	\$ 157.15	\$ 190.95	\$ 160.93

¹ Data includes GAAP and STAT information.

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TABLE 11			
PREMERA CONVERSION ¹			
HISTORICAL DATA REVIEW - TOTAL EXPENSE RAW DATA			
	WA	AK	TOTAL
1946	\$ 164,672		\$ 164,672
1947	\$ 202,593		\$ 202,593
1948	\$ 212,490		\$ 212,490
1949	\$ 238,106		\$ 238,106
1950	\$ 307,306		\$ 307,306
1951	\$ 360,621		\$ 360,621
1952	\$ 398,855		\$ 398,855
1953			\$ 491,918
1954			\$ 639,032
1955			\$ 766,690
1956			\$ 721,151
1957			\$ 711,650
1958			\$ 822,662
1959			\$ 933,675
1960			\$ 982,104
1961			\$ 1,095,978
1962			\$ 1,265,194
1963			\$ 1,333,983
1964			\$ 1,500,386
1965			\$ 1,847,587
1966			\$ 2,095,807
1967			\$ 2,565,659
1968			\$ 2,895,650
1969			\$ 3,322,689
1970			\$ 3,788,564
1971			\$ 4,484,414
1972			\$ 5,279,033
1973			\$ 6,631,476
1974			\$ 8,153,130
1975			\$ 10,187,599
1976			\$ 11,631,367
1977			\$ 14,291,383
1978			\$ 18,223,696
1979	\$ 17,909,442	\$ 3,194,632	\$ 21,104,074
1980	\$ 21,329,098	\$ 3,490,478	\$ 24,819,576
1981	\$ 25,289,235	\$ 3,845,828	\$ 29,135,063
1982	\$ 30,748,707	\$ 2,853,743	\$ 33,602,450
1983	\$ 33,171,620	\$ 4,523,403	\$ 37,695,023
1984	\$ 36,239,207	\$ 5,426,370	\$ 41,665,577
1985	\$ 41,376,722	\$ 6,436,888	\$ 47,813,610
1986	\$ 52,132,339	\$ 7,478,517	\$ 59,610,856
1987	\$ 47,517,313	\$ 6,725,308	\$ 54,242,621
1988	\$ 45,520,913	\$ 7,092,036	\$ 52,612,949
1989	\$ 37,301,140	\$ 9,547,002	\$ 46,848,142
1990	\$ 44,190,991	\$ 10,488,110	\$ 54,679,101

¹ Data includes GAAP and STAT information.

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TABLE 11			
PREMERA CONVERSION ¹			
HISTORICAL DATA REVIEW - TOTAL EXPENSE RAW DATA			
	WA	AK	TOTAL
1991	\$ 44,330,868	\$ 10,746,100	\$ 55,076,968
1992	\$ 46,451,254	\$ 11,604,518	\$ 58,055,772
1993	\$ 60,910,344	\$ 14,412,648	\$ 75,322,992
1994	\$ 77,486,208	\$ 16,186,000	\$ 93,672,208
1995	\$ 94,309,148	\$ 17,336,003	\$ 111,645,151
1996	\$ 106,762,210	\$ 17,204,884	\$ 123,967,094
1997	Proprietary Material Redacted		\$ 124,370,519
1998 ²			\$ 172,704,455
1999			\$ 187,045,836
2000			\$ 244,735,870
2001			\$ 290,558,171
2002			\$ 301,186,175

¹ Data includes GAAP and STAT information.

² Expenses for AK in 1998 taken as Total -WA yields unreasonable figure.

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TABLE 12 PREMERA CONVERSION ¹ HISTORICAL DATA REVIEW – COMMISSIONS ²			
	WA	AK	TOTAL
1993			\$ 16,890,845
1994			\$ 19,197,514
1995			\$ 20,070,464
1996			\$ 16,935,183
1997			\$ 15,900,204
1998	Proprietary Material Redacted		\$ 21,715,805
1999			\$ 23,469,399
2000			\$ 30,930,454
2001			\$ 40,654,571
2002			\$ 39,814,618

¹ Data includes GAAP and STAT information.

² Data was obtained from several sources: 1993 to 1994 commissions are from detailed LOB statements obtained from OIC audit of Præmera workpapers; 1995 to 1997 is from Statutory Statement documents; 1998 to 2002 is from WA 26 (1997 number from WA 26 contains MSC, hence is not comparable to actual corporate structure).

TABLE 13 PREMERA CONVERSION ¹ HISTORICAL DATA REVIEW - COMMISSIONS FILLED IN			
	WA	AK	TOTAL
1993	Proprietary Material Redacted		\$ 16,890,845
1994			\$ 19,197,514
1995			\$ 20,070,464
1996			\$ 16,935,183
1997			\$ 15,900,204
1998			\$ 21,715,805
1999			\$ 23,469,399
2000			\$ 30,930,454
2001			\$ 40,654,571
2002			\$ 39,814,618

¹ Data includes GAAP and STAT information.

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TABLE 14			
PREMERA CONVERSION ¹			
HISTORICAL DATA REVIEW - COMMISSIONS % OF PREMIUMS			
	WA	AK	TOTAL
1993		Proprietary Material Redacted	2.73%
1994			2.71%
1995			2.51%
1996			1.90%
1997			1.81%
1998			1.82%
1999			1.82%
2000			1.75%
2001			1.96%
2002			1.85%

¹ Data includes GAAP and STAT information.

TABLE 15			
PREMERA CONVERSION ¹			
HISTORICAL DATA REVIEW - COMMISSIONS PMPM			
	WA	AK	TOTAL
1993	Proprietary Material Redacted		\$ 2.67
1994			\$ 2.79
1995			\$ 2.59
1996			\$ 2.04
1997			\$ 1.98
1998			\$ 2.18
1999			\$ 2.47
2000			\$ 2.91
2001			\$ 3.46
2002			\$ 3.52

¹ Data includes GAAP and STAT information.

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TABLE 16
PREMERA CONVERSION¹
HISTORICAL DATA REVIEW - PREMIUM TAX

	WA	AK	TOTAL
1946	\$ 883		\$ 883
1947	\$ 1,145		\$ 1,145
1948	\$ 1,249		\$ 1,249
1949	\$ 1,421		\$ 1,421
1950	\$ 2,070		\$ 2,070
1951	\$ 2,362		\$ 2,362
1952	\$ 4,674		\$ 4,674
1953	\$ 5,971		\$ 5,971
1954	\$ 6,470		\$ 6,470
1955	\$ 7,125		\$ 7,125
1956	\$ 8,472		\$ 8,472
1957	\$ 9,390		\$ 9,390
1958	\$ 10,445		\$ 10,445
1959	\$ 10,977		\$ 10,977
1960	\$ 12,193		\$ 12,193
1961	\$ 14,599		\$ 14,599
1962	\$ 16,794		\$ 16,794
1963	\$ 19,371		\$ 19,371
1964	\$ 21,926		\$ 21,926
1965	\$ 27,523		\$ 27,523
1966	\$ 33,479		\$ 33,479
1967	\$ 33,222	\$ 20,126	\$ 53,348
1968	\$ 36,606	\$ 25,272	\$ 61,877
1969	\$ 56,165	\$ 29,905	\$ 86,070
1970	\$ 43,645	\$ 38,865	\$ 82,509
1971	\$ 115,133	\$ 68,306	\$ 183,439
1972	\$ 62,858	\$ 108,663	\$ 171,521
1973	\$ 103,287	\$ 129,851	\$ 233,138
1974	\$ 116,390	\$ 164,351	\$ 280,741
1975	\$ 175,024	\$ 256,305	\$ 431,329
1976	\$ 244,865	\$ 346,323	\$ 591,188
1977	\$ 321,966	\$ 399,200	\$ 721,166
1978	\$ 378,507	\$ 384,503	\$ 763,010
1979	\$ 416,201	\$ 396,107	\$ 812,308
1980	\$ 505,350	\$ 529,835	\$ 1,035,184
1981	\$ 656,742	\$ 678,592	\$ 1,335,334
1982	\$ 751,392	\$ 630,490	\$ 1,381,882
1983	\$ 814,269	\$ 562,643	\$ 1,376,912
1984	\$ 964,180	\$ 626,940	\$ 1,591,120
1985	\$ 1,072,573	\$ 706,747	\$ 1,779,319
1986	\$ 1,171,165	\$ 723,056	\$ 1,894,221
1987	\$ 1,207,873	\$ 752,630	\$ 1,960,503
1988	\$ 1,063,924	\$ 798,038	\$ 1,861,961
1989	\$ 866,341	\$ 853,516	\$ 1,719,857
1990	\$ 980,590	\$ 1,010,890	\$ 1,991,479

¹ Data includes GAAP and STAT information.

TABLE 16 PREMERA CONVERSION ¹ HISTORICAL DATA REVIEW - PREMIUM TAX			
	WA	AK	TOTAL
1991	\$ 1,166,900	\$ 1,118,580	\$ 2,285,480
1992	\$ 1,370,024	\$ 1,199,487	\$ 2,569,512
1993	\$ 631,054	\$ 1,275,328	\$ 1,906,382
1994	\$ 9,775,618	\$ 1,650,105	\$ 11,425,723
1995	\$ 11,107,276	\$ 1,780,407	\$ 12,887,682
1996	\$ 12,680,698	\$ 1,812,125	\$ 14,492,823
1997	Proprietary Material Redacted		\$ 14,262,532
1998			\$ 18,737,432
1999			\$ 20,495,198
2000			\$ 28,554,749
2001			\$ 35,004,277
2002			\$ 36,887,402

¹ Data includes GAAP and STAT information.

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TABLE 17 PREMERA CONVERSION ¹ HISTORICAL DATA REVIEW - PREMIUM TAX % OF PREMIUMS			
	WA	AK	TOTAL
1946	0.10%		0.10%
1947	0.10%		0.10%
1948	0.10%		0.10%
1949	0.10%		0.10%
1950	0.10%		0.10%
1951	0.10%		0.10%
1952	0.14%		0.14%
1953	0.14%		0.14%
1954	0.14%		0.14%
1955	0.14%		0.13%
1956	0.14%		0.13%
1957	0.14%		0.13%
1958	0.14%		0.13%
1959	0.14%		0.13%
1960	0.14%		0.12%
1961	0.14%		0.12%
1962	0.14%		0.12%
1963	0.14%		0.13%
1964	0.14%		0.13%
1965	0.15%		0.14%
1966	0.17%		0.16%
1967	0.17%	1.23%	0.25%
1968	0.15%	1.23%	0.24%
1969	0.20%	1.23%	0.28%
1970	0.13%	1.23%	0.23%
1971	0.30%	1.23%	0.41%
1972	0.13%	1.23%	0.29%
1973	0.17%	1.23%	0.33%
1974	0.17%	1.23%	0.34%
1975	0.22%	1.23%	0.43%
1976	0.25%	1.23%	0.47%
1977	0.25%	1.23%	0.45%
1978	0.25%	1.23%	0.42%
1979	0.25%	1.23%	0.41%
1980	0.25%	1.23%	0.42%
1981	0.25%	1.23%	0.42%
1982	0.25%	1.23%	0.39%
1983	0.25%	1.23%	0.37%
1984	0.29%	1.23%	0.42%
1985	0.30%	1.23%	0.43%
1986	0.30%	1.23%	0.42%
1987	0.30%	1.23%	0.42%
1988	0.30%	1.23%	0.44%
1989	0.30%	1.23%	0.48%
1990	0.30%	1.23%	0.49%

¹ Data includes GAAP and STAT information.

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TABLE 17 PREMERA CONVERSION ¹ HISTORICAL DATA REVIEW - PREMIUM TAX % OF PREMIUMS			
	WA	AK	TOTAL
1991	0.30%	1.23%	0.48%
1992	0.30%	1.23%	0.46%
1993	0.12%	1.23%	0.31%
1994	1.70%	1.23%	1.61%
1995	1.70%	1.23%	1.61%
1996	1.70%	1.23%	1.62%
1997	Proprietary Material Redacted		1.62%
1998			1.57%
1999			1.59%
2000			1.61%
2001			1.69%
2002			1.72%

¹ Data includes GAAP and STAT information.

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TABLE 18
PREMERA CONVERSION ¹
HISTORICAL DATA REVIEW - PREMIUM TAX PMPM

	WA	AK	TOTAL
1946	\$ 0.00		\$ 0.00
1947	\$ 0.00		\$ 0.00
1948	\$ 0.00		\$ 0.00
1949	\$ 0.00		\$ 0.00
1950	\$ 0.00		\$ 0.00
1951	\$ 0.00		\$ 0.00
1952	\$ 0.00		\$ 0.00
1953	\$ 0.00		\$ 0.00
1954	\$ 0.00		\$ 0.00
1955	\$ 0.00		\$ 0.00
1956	\$ 0.00		\$ 0.00
1957	\$ 0.00		\$ 0.00
1958	\$ 0.00		\$ 0.00
1959	\$ 0.00		\$ 0.00
1960	\$ 0.01		\$ 0.00
1961	\$ 0.01		\$ 0.00
1962	\$ 0.01		\$ 0.01
1963	\$ 0.01		\$ 0.01
1964	\$ 0.01		\$ 0.01
1965	\$ 0.01		\$ 0.01
1966	\$ 0.01		\$ 0.01
1967	\$ 0.01	\$ 0.08	\$ 0.01
1968	\$ 0.01	\$ 0.09	\$ 0.01
1969	\$ 0.01	\$ 0.09	\$ 0.02
1970	\$ 0.01	\$ 0.11	\$ 0.02
1971	\$ 0.02	\$ 0.13	\$ 0.04
1972	\$ 0.01	\$ 0.14	\$ 0.03
1973	\$ 0.02	\$ 0.15	\$ 0.03
1974	\$ 0.02	\$ 0.18	\$ 0.04
1975	\$ 0.03	\$ 0.24	\$ 0.06
1976	\$ 0.04	\$ 0.30	\$ 0.07
1977	\$ 0.04	\$ 0.32	\$ 0.08
1978	\$ 0.05	\$ 0.30	\$ 0.08
1979	\$ 0.05	\$ 0.35	\$ 0.09
1980	\$ 0.06	\$ 0.43	\$ 0.11
1981	\$ 0.08	\$ 0.48	\$ 0.13
1982	\$ 0.09	\$ 0.49	\$ 0.14
1983	\$ 0.11	\$ 0.54	\$ 0.17
1984	\$ 0.14	\$ 0.64	\$ 0.20
1985	\$ 0.15	\$ 0.72	\$ 0.22
1986	\$ 0.16	\$ 0.74	\$ 0.23
1987	\$ 0.17	\$ 0.79	\$ 0.25
1988	\$ 0.20	\$ 0.89	\$ 0.29
1989	\$ 0.21	\$ 0.98	\$ 0.34
1990	\$ 0.24	\$ 1.11	\$ 0.40

¹ Data includes GAAP and STAT information.

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TABLE 18					
PREMERA CONVERSION 1					
HISTORICAL DATA REVIEW - PREMIUM TAX PMPM					
	WA		AK		TOTAL
1991	\$	0.26	\$	1.12	\$ 0.42
1992	\$	0.28	\$	1.15	\$ 0.43
1993	\$	0.12	\$	1.23	\$ 0.30
1994	\$	1.68	\$	1.55	\$ 1.66
1995	\$	1.68	\$	1.57	\$ 1.66
1996	\$	1.76	\$	1.64	\$ 1.75
1997	Proprietary Material Redacted				\$ 1.77
1998					\$ 1.88
1999					\$ 2.16
2000					\$ 2.69
2001					\$ 2.98
2002					\$ 3.26

¹ Data includes GAAP and STAT information.

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TABLE 19
PREMERA CONVERSION ¹
HISTORICAL DATA REVIEW - OTHER EXPENSES

	WA	AK	TOTAL
1946	\$ 163,789		\$ 163,789
1947	\$ 201,448		\$ 201,448
1948	\$ 211,242		\$ 211,242
1949	\$ 236,685		\$ 236,685
1950	\$ 305,237		\$ 305,237
1951	\$ 358,259		\$ 358,259
1952	\$ 394,181		\$ 394,181
1953			\$ 485,947
1954			\$ 632,562
1955			\$ 759,566
1956			\$ 712,679
1957			\$ 702,260
1958			\$ 812,217
1959			\$ 922,697
1960			\$ 969,911
1961			\$ 1,081,379
1962			\$ 1,248,399
1963			\$ 1,314,612
1964			\$ 1,478,460
1965			\$ 1,820,064
1966			\$ 2,062,329
1967			\$ 2,512,311
1968			\$ 2,833,773
1969			\$ 3,236,619
1970			\$ 3,706,055
1971			\$ 4,300,975
1972			\$ 5,107,512
1973			\$ 6,398,338
1974			\$ 7,872,389
1975			\$ 9,756,270
1976			\$ 11,040,179
1977			\$ 13,570,217
1978			\$ 17,460,686
1979	\$ 17,493,241	\$ 2,798,525	\$ 20,291,766
1980	\$ 20,823,748	\$ 2,960,643	\$ 23,784,392
1981	\$ 24,632,493	\$ 3,167,236	\$ 27,799,729
1982	\$ 29,997,315	\$ 2,223,253	\$ 32,220,568
1983	\$ 32,357,351	\$ 3,960,760	\$ 36,318,111
1984	\$ 35,275,027	\$ 4,799,430	\$ 40,074,457
1985	\$ 40,304,149	\$ 5,730,141	\$ 46,034,291
1986	\$ 50,961,174	\$ 6,755,461	\$ 57,716,635
1987	\$ 46,309,440	\$ 5,972,678	\$ 52,282,118
1988	\$ 44,456,989	\$ 6,293,998	\$ 50,750,988
1989	\$ 36,434,799	\$ 8,693,486	\$ 45,128,285
1990	\$ 43,210,401	\$ 9,477,220	\$ 52,687,622

¹ Data includes GAAP and STAT information.

**CONFIDENTIAL INFORMATION – Not to be Distributed Except in Compliance
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TABLE 19 PREMERA CONVERSION¹ HISTORICAL DATA REVIEW - OTHER EXPENSES			
	WA	AK	TOTAL
1991	\$ 43,163,968	\$ 9,627,520	\$ 52,791,488
1992	\$ 45,081,230	\$ 10,405,031	\$ 55,486,260
1993	\$ 45,263,252	\$ 11,262,513	\$ 56,525,765
1994	\$ 50,938,826	\$ 12,110,145	\$ 63,048,971
1995	\$ 65,748,709	\$ 12,938,296	\$ 78,687,005
1996	\$ 79,810,257	\$ 12,728,831	\$ 92,539,088
1997	Proprietary Material Redacted		\$ 94,207,783
1998			\$ 132,251,218
1999			\$ 143,081,239
2000			\$ 185,250,667
2001			\$ 214,899,323
2002			\$ 224,484,155

¹ Data includes GAAP and STAT information.

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TABLE 20				
PREMERA CONVERSION ¹				
HISTORICAL DATA REVIEW - OTHER EXPENSES PMPM				
	WA	AK	TOTAL	
1946	\$ 0.15		\$	0.15
1947	\$ 0.18		\$	0.18
1948	\$ 0.17		\$	0.17
1949	\$ 0.19		\$	0.19
1950	\$ 0.25		\$	0.25
1951	\$ 0.29		\$	0.29
1952	\$ 0.26		\$	0.26
1953			\$	0.28
1954			\$	0.36
1955			\$	0.40
1956			\$	0.35
1957			\$	0.32
1958			\$	0.35
1959			\$	0.37
1960			\$	0.36
1961			\$	0.37
1962			\$	0.39
1963			\$	0.38
1964			\$	0.41
1965			\$	0.48
1966			\$	0.54
1967			\$	0.63
1968			\$	0.66
1969			\$	0.69
1970			\$	0.74
1971			\$	0.83
1972			\$	0.85
1973			\$	0.93
1974			\$	1.08
1975			\$	1.27
1976			\$	1.36
1977			\$	1.54
1978			\$	1.94
1979	\$ 2.21	\$ 2.49	\$	2.24
1980	\$ 2.52	\$ 2.43	\$	2.50
1981	\$ 2.82	\$ 2.25	\$	2.74
1982	\$ 3.60	\$ 1.73	\$	3.35
1983	\$ 4.43	\$ 3.79	\$	4.35
1984	\$ 5.08	\$ 4.87	\$	5.06
1985	\$ 5.58	\$ 5.83	\$	5.61
1986	\$ 6.90	\$ 6.91	\$	6.90
1987	\$ 6.61	\$ 6.29	\$	6.58
1988	\$ 8.15	\$ 7.04	\$	8.00
1989	\$ 8.82	\$ 10.03	\$	9.03
1990	\$ 10.53	\$ 10.40	\$	10.50

¹ Data includes GAAP and STAT information.

TABLE 20 PREMERA CONVERSION ¹ HISTORICAL DATA REVIEW - OTHER EXPENSES PMPM			
	WA	AK	TOTAL
1991	\$ 9.68	\$ 9.64	\$ 9.68
1992	\$ 9.16	\$ 9.98	\$ 9.31
1993	\$ 8.57	\$ 10.88	\$ 8.95
1994	\$ 8.74	\$ 11.39	\$ 9.15
1995	\$ 9.93	\$ 11.37	\$ 10.14
1996	\$ 11.09	\$ 11.55	\$ 11.15
1997	Proprietary Material Redacted		\$ 11.71
1998			\$ 13.30
1999			\$ 15.08
2000			\$ 17.44
2001			\$ 18.31
2002			\$ 19.82

¹ Data includes GAAP and STAT information.

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TABLE 21
PREMERA CONVERSION ¹
HISTORICAL DATA REVIEW - OTHER EXPENSES COMPLETED PMPM

	WA	AK	TOTAL
1946	\$ 0.15		\$ 0.15
1947	\$ 0.18		\$ 0.18
1948	\$ 0.17		\$ 0.17
1949	\$ 0.19		\$ 0.19
1950	\$ 0.25		\$ 0.25
1951	\$ 0.29		\$ 0.29
1952	\$ 0.26		\$ 0.26
1953	\$ 0.28	\$ 0.28	\$ 0.28
1954	\$ 0.36	\$ 0.36	\$ 0.36
1955	\$ 0.40	\$ 0.40	\$ 0.40
1956	\$ 0.35	\$ 0.35	\$ 0.35
1957	\$ 0.32	\$ 0.32	\$ 0.32
1958	\$ 0.35	\$ 0.35	\$ 0.35
1959	\$ 0.37	\$ 0.37	\$ 0.37
1960	\$ 0.36	\$ 0.36	\$ 0.36
1961	\$ 0.37	\$ 0.37	\$ 0.37
1962	\$ 0.39	\$ 0.39	\$ 0.39
1963	\$ 0.38	\$ 0.38	\$ 0.38
1964	\$ 0.41	\$ 0.41	\$ 0.41
1965	\$ 0.48	\$ 0.48	\$ 0.48
1966	\$ 0.54	\$ 0.54	\$ 0.54
1967	\$ 0.63	\$ 0.63	\$ 0.63
1968	\$ 0.66	\$ 0.66	\$ 0.66
1969	\$ 0.69	\$ 0.69	\$ 0.69
1970	\$ 0.74	\$ 0.74	\$ 0.74
1971	\$ 0.83	\$ 0.83	\$ 0.83
1972	\$ 0.85	\$ 0.85	\$ 0.85
1973	\$ 0.93	\$ 0.93	\$ 0.93
1974	\$ 1.08	\$ 1.08	\$ 1.08
1975	\$ 1.27	\$ 1.27	\$ 1.27
1976	\$ 1.36	\$ 1.36	\$ 1.36
1977	\$ 1.54	\$ 1.54	\$ 1.54
1978	\$ 1.94	\$ 1.94	\$ 1.94
1979	\$ 2.21	\$ 2.49	\$ 2.24
1980	\$ 2.52	\$ 2.43	\$ 2.50
1981	\$ 2.82	\$ 2.25	\$ 2.74
1982	\$ 3.60	\$ 1.73	\$ 3.35
1983	\$ 4.43	\$ 3.79	\$ 4.35
1984	\$ 5.08	\$ 4.87	\$ 5.06
1985	\$ 5.58	\$ 5.83	\$ 5.61
1986	\$ 6.90	\$ 6.91	\$ 6.90
1987	\$ 6.61	\$ 6.29	\$ 6.58
1988	\$ 8.15	\$ 7.04	\$ 8.00
1989	\$ 8.82	\$ 10.03	\$ 9.03
1990	\$ 10.53	\$ 10.40	\$ 10.50

¹ Data includes GAAP and STAT information.

TABLE 21 PREMERA CONVERSION ¹ HISTORICAL DATA REVIEW - OTHER EXPENSES COMPLETED PMPM			
	WA	AK	TOTAL
1991	\$ 9.68	\$ 9.64	\$ 9.68
1992	\$ 9.16	\$ 9.98	\$ 9.31
1993	\$ 8.57	\$ 10.88	\$ 8.95
1994	\$ 8.74	\$ 11.39	\$ 9.15
1995	\$ 9.93	\$ 11.37	\$ 10.14
1996	\$ 11.09	\$ 11.55	\$ 11.15
1997	Proprietary Material Redacted		\$ 11.71
1998			\$ 13.30
1999			\$ 15.08
2000			\$ 17.44
2001			\$ 18.31
2002			\$ 19.82

¹ Data includes GAAP and STAT information.

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TABLE 22
PREMERA CONVERSION ¹
HISTORICAL DATA REVIEW - START UP ADJUSTMENT

	WA	AK	TOTAL
1946	\$ 0.15		\$ 0.15
1947	\$ 0.18		\$ 0.18
1948	\$ 0.17		\$ 0.17
1949	\$ 0.19		\$ 0.19
1950	\$ 0.25		\$ 0.25
1951	\$ 0.29		\$ 0.29
1952	\$ 0.26		\$ 0.26
1953	\$ 0.26	\$ 0.94	\$ 0.28
1954	\$ 0.33	\$ 1.22	\$ 0.36
1955	\$ 0.37	\$ 1.18	\$ 0.40
1956	\$ 0.32	\$ 0.95	\$ 0.35
1957	\$ 0.29	\$ 0.76	\$ 0.32
1958	\$ 0.31	\$ 0.72	\$ 0.35
1959	\$ 0.34	\$ 0.67	\$ 0.37
1960	\$ 0.34	\$ 0.61	\$ 0.36
1961	\$ 0.34	\$ 0.55	\$ 0.37
1962	\$ 0.36	\$ 0.57	\$ 0.39
1963	\$ 0.36	\$ 0.64	\$ 0.38
1964	\$ 0.39	\$ 0.68	\$ 0.41
1965	\$ 0.46	\$ 0.84	\$ 0.48
1966	\$ 0.51	\$ 1.00	\$ 0.54
1967	\$ 0.60	\$ 1.09	\$ 0.63
1968	\$ 0.63	\$ 1.11	\$ 0.66
1969	\$ 0.66	\$ 1.08	\$ 0.69
1970	\$ 0.71	\$ 1.14	\$ 0.74
1971	\$ 0.81	\$ 0.94	\$ 0.83
1972	\$ 0.84	\$ 0.92	\$ 0.85
1973	\$ 0.93	\$ 0.96	\$ 0.93
1974	\$ 1.08	\$ 1.08	\$ 1.08
1975	\$ 1.27	\$ 1.27	\$ 1.27
1976	\$ 1.36	\$ 1.36	\$ 1.36
1977	\$ 1.54	\$ 1.54	\$ 1.54
1978	\$ 1.94	\$ 1.94	\$ 1.94
1979	\$ 2.21	\$ 2.49	\$ 2.24
1980	\$ 2.52	\$ 2.43	\$ 2.50
1981	\$ 2.82	\$ 2.25	\$ 2.74
1982	\$ 3.60	\$ 1.73	\$ 3.35
1983	\$ 4.43	\$ 3.79	\$ 4.35
1984	\$ 5.08	\$ 4.87	\$ 5.06
1985	\$ 5.58	\$ 5.83	\$ 5.61
1986	\$ 6.90	\$ 6.91	\$ 6.90
1987	\$ 6.61	\$ 6.29	\$ 6.58
1988	\$ 8.15	\$ 7.04	\$ 8.00
1989	\$ 8.82	\$ 10.03	\$ 9.03
1990	\$ 10.53	\$ 10.40	\$ 10.50

¹ Data includes GAAP and STAT information.

**CONFIDENTIAL INFORMATION – Not to be Distributed Except in Compliance
with the Orders of the Washington State Commissioner of Insurance**

TABLE 22 PREMERA CONVERSION ¹ HISTORICAL DATA REVIEW - START UP ADJUSTMENT			
	WA	AK	TOTAL
1991	\$ 9.68	\$ 9.64	\$ 9.68
1992	\$ 9.16	\$ 9.98	\$ 9.31
1993	\$ 8.57	\$ 10.88	\$ 8.95
1994	\$ 8.74	\$ 11.39	\$ 9.15
1995	\$ 9.93	\$ 11.37	\$ 10.14
1996	\$ 11.09	\$ 11.55	\$ 11.15
1997	Proprietary Material Redacted		\$ 11.71
1998			\$ 13.30
1999			\$ 15.08
2000			\$ 17.44
2001			\$ 18.31
2002			\$ 19.82

¹ Data includes GAAP and STAT information.

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with the Orders of the Washington State Commissioner of Insurance

TABLE 23
PREMERA CONVERSION ¹
HISTORICAL DATA REVIEW – FINAL OTHER EXPENSES PMPM

	WA	AK	TOTAL
1946	\$ 0.15		\$ 0.15
1947	\$ 0.18		\$ 0.18
1948	\$ 0.17		\$ 0.17
1949	\$ 0.19		\$ 0.19
1950	\$ 0.25		\$ 0.25
1951	\$ 0.29		\$ 0.29
1952	\$ 0.26		\$ 0.26
1953	\$ 0.26	\$ 0.94	\$ 0.28
1954	\$ 0.33	\$ 1.22	\$ 0.36
1955	\$ 0.37	\$ 1.18	\$ 0.40
1956	\$ 0.32	\$ 0.95	\$ 0.35
1957	\$ 0.29	\$ 0.76	\$ 0.32
1958	\$ 0.31	\$ 0.72	\$ 0.35
1959	\$ 0.34	\$ 0.67	\$ 0.37
1960	\$ 0.34	\$ 0.61	\$ 0.36
1961	\$ 0.34	\$ 0.55	\$ 0.37
1962	\$ 0.36	\$ 0.57	\$ 0.39
1963	\$ 0.36	\$ 0.64	\$ 0.38
1964	\$ 0.39	\$ 0.68	\$ 0.41
1965	\$ 0.46	\$ 0.84	\$ 0.48
1966	\$ 0.51	\$ 1.00	\$ 0.54
1967	\$ 0.60	\$ 1.09	\$ 0.63
1968	\$ 0.63	\$ 1.11	\$ 0.66
1969	\$ 0.66	\$ 1.08	\$ 0.69
1970	\$ 0.71	\$ 1.14	\$ 0.74
1971	\$ 0.81	\$ 0.94	\$ 0.83
1972	\$ 0.84	\$ 0.92	\$ 0.85
1973	\$ 0.93	\$ 0.96	\$ 0.93
1974	\$ 1.08	\$ 1.08	\$ 1.08
1975	\$ 1.27	\$ 1.27	\$ 1.27
1976	\$ 1.36	\$ 1.36	\$ 1.36
1977	\$ 1.54	\$ 1.54	\$ 1.54
1978	\$ 1.94	\$ 1.94	\$ 1.94
1979	\$ 2.21	\$ 2.49	\$ 2.24
1980	\$ 2.52	\$ 2.43	\$ 2.50
1981	\$ 2.82	\$ 2.25	\$ 2.74
1982	\$ 3.60	\$ 1.73	\$ 3.35
1983	\$ 4.43	\$ 3.79	\$ 4.35
1984	\$ 5.08	\$ 4.87	\$ 5.06
1985	\$ 5.58	\$ 5.83	\$ 5.61
1986	\$ 6.90	\$ 6.91	\$ 6.90
1987	\$ 6.61	\$ 6.29	\$ 6.58
1988	\$ 8.15	\$ 7.04	\$ 8.00
1989	\$ 8.82	\$ 10.03	\$ 9.03
1990	\$ 10.53	\$ 10.40	\$ 10.50

¹ Data includes GAAP and STAT information.

**CONFIDENTIAL INFORMATION – Not to be Distributed Except in Compliance
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TABLE 23
PREMERA CONVERSION ¹
HISTORICAL DATA REVIEW – FINAL OTHER EXPENSES PMPM

	WA	AK	TOTAL
1991	\$ 9.68	\$ 9.64	\$ 9.68
1992	\$ 9.16	\$ 9.98	\$ 9.31
1993	\$ 8.57	\$ 10.88	\$ 8.95
1994	\$ 8.74	\$ 11.39	\$ 9.15
1995	\$ 9.93	\$ 11.37	\$ 10.14
1996	\$ 11.09	\$ 11.55	\$ 11.15
1997	Proprietary Material Redacted		\$ 11.71
1998			\$ 13.30
1999			\$ 15.08
2000			\$ 17.44
2001			\$ 18.31
2002			\$ 19.82

¹ Data includes GAAP and STAT information.

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TABLE 24
PREMERA CONVERSION ¹
HISTORICAL DATA REVIEW – FINAL OTHER EXPENSES

	WA	AK	TOTAL
1946	\$ 163,789		\$ 163,789
1947	\$ 201,448		\$ 201,448
1948	\$ 211,242		\$ 211,242
1949	\$ 236,685		\$ 236,685
1950	\$ 305,237		\$ 305,237
1951	\$ 358,259		\$ 358,259
1952	\$ 394,181		\$ 394,181
1953	\$ 442,075	\$ 43,872	\$ 485,947
1954	\$ 575,335	\$ 57,228	\$ 632,562
1955	\$ 673,500	\$ 86,065	\$ 759,566
1956	\$ 609,416	\$ 103,262	\$ 712,679
1957	\$ 594,351	\$ 107,909	\$ 702,260
1958	\$ 681,901	\$ 130,316	\$ 812,217
1959	\$ 778,747	\$ 143,950	\$ 922,697
1960	\$ 812,116	\$ 157,795	\$ 969,911
1961	\$ 904,739	\$ 176,640	\$ 1,081,379
1962	\$ 1,039,953	\$ 208,446	\$ 1,248,399
1963	\$ 1,104,855	\$ 209,757	\$ 1,314,612
1964	\$ 1,281,172	\$ 197,288	\$ 1,478,460
1965	\$ 1,584,720	\$ 235,344	\$ 1,820,064
1966	\$ 1,828,462	\$ 233,866	\$ 2,062,329
1967	\$ 2,250,207	\$ 262,104	\$ 2,512,311
1968	\$ 2,520,452	\$ 313,320	\$ 2,833,773
1969	\$ 2,891,871	\$ 344,748	\$ 3,236,619
1970	\$ 3,303,709	\$ 402,345	\$ 3,706,055
1971	\$ 3,794,575	\$ 506,400	\$ 4,300,975
1972	\$ 4,405,588	\$ 701,924	\$ 5,107,512
1973	\$ 5,578,805	\$ 819,533	\$ 6,398,338
1974	\$ 6,863,636	\$ 1,008,753	\$ 7,872,389
1975	\$ 8,382,744	\$ 1,373,526	\$ 9,756,270
1976	\$ 9,493,250	\$ 1,546,929	\$ 11,040,179
1977	\$ 11,643,357	\$ 1,926,860	\$ 13,570,217
1978	\$ 14,968,817	\$ 2,491,869	\$ 17,460,686
1979	\$ 17,493,241	\$ 2,798,525	\$ 20,291,766
1980	\$ 20,823,748	\$ 2,960,643	\$ 23,784,392
1981	\$ 24,632,493	\$ 3,167,236	\$ 27,799,729
1982	\$ 29,997,315	\$ 2,223,253	\$ 32,220,568
1983	\$ 32,357,351	\$ 3,960,760	\$ 36,318,111
1984	\$ 35,275,027	\$ 4,799,430	\$ 40,074,457
1985	\$ 40,304,149	\$ 5,730,141	\$ 46,034,291
1986	\$ 50,961,174	\$ 6,755,461	\$ 57,716,635
1987	\$ 46,309,440	\$ 5,972,678	\$ 52,282,118
1988	\$ 44,456,989	\$ 6,293,998	\$ 50,750,988
1989	\$ 36,434,799	\$ 8,693,486	\$ 45,128,285
1990	\$ 43,210,401	\$ 9,477,220	\$ 52,687,622

¹ Data includes GAAP and STAT information.

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TABLE 24
PREMERA CONVERSION ¹
HISTORICAL DATA REVIEW – FINAL OTHER EXPENSES

	WA	AK	TOTAL
1991	\$ 43,163,968	\$ 9,627,520	\$ 52,791,488
1992	\$ 45,081,230	\$ 10,405,031	\$ 55,486,260
1993	\$ 45,263,252	\$ 11,262,513	\$ 56,525,765
1994	\$ 50,938,826	\$ 12,110,145	\$ 63,048,971
1995	\$ 65,748,709	\$ 12,938,296	\$ 78,687,005
1996	\$ 79,810,257	\$ 12,728,831	\$ 92,539,088
1997	Proprietary Material Redacted		\$ 94,207,783
1998			\$ 132,251,218
1999			\$ 143,081,239
2000			\$ 185,250,667
2001			\$ 214,899,323
2002			\$ 224,484,155

¹ Data includes GAAP and STAT information.

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TABLE 25			
PREMERA CONVERSION ¹			
SURPLUS SPLIT – COMPLETED UNDERWRITING CASHFLOW			
	WA	AK	TOTAL
1946	\$ (114,664)		\$ (114,664)
1947	\$ 101,669		\$ 101,669
1948	\$ 94,196		\$ 94,196
1949	\$ (966)		\$ (966)
1950	\$ 232,185		\$ 232,185
1951	\$ 111,382		\$ 111,382
1952	\$ 324,386		\$ 324,386
1953	\$ 507,231	\$ (17,942)	\$ 489,289
1954	\$ 476,569	\$ (27,972)	\$ 448,597
1955	\$ 356,589	\$ (30,010)	\$ 326,580
1956	\$ 693,574	\$ (18,155)	\$ 675,419
1957	\$ 658,649	\$ (11,906)	\$ 646,744
1958	\$ 324,947	\$ (36,933)	\$ 288,014
1959	\$ 478,281	\$ (6,992)	\$ 471,289
1960	\$ 288,743	\$ (18,981)	\$ 269,762
1961	\$ 628,777	\$ (491,702)	\$ 137,075
1962	\$ (575,473)	\$ 911,166	\$ 335,694
1963	\$ 157,978	\$ (85,906)	\$ 72,072
1964	\$ (236,592)	\$ (133,114)	\$ (369,706)
1965	\$ 140,636	\$ (118,128)	\$ 22,508
1966	\$ 824,414	\$ (596,686)	\$ 227,728
1967	\$ 103,656	\$ (64,342)	\$ 39,314
1968	\$ 865,568	\$ (72,035)	\$ 793,533
1969	\$ 1,012,060	\$ (268,858)	\$ 743,202
1970	\$ 285,432	\$ (88,814)	\$ 196,619
1971	\$ (1,068,253)	\$ 787,529	\$ (280,724)
1972	\$ 1,097,525	\$ (838,721)	\$ 258,805
1973	\$ (434,183)	\$ 81,585	\$ (352,598)
1974	\$ (2,894,194)	\$ 2,790,614	\$ (103,580)
1975	\$ (2,233,966)	\$ 1,274,206	\$ (959,760)
1976	\$ (1,726,767)	\$ 823,927	\$ (902,840)
1977	\$ 840,379	\$ 748,901	\$ 1,589,280
1978	\$ 5,804,525	\$ (632,450)	\$ 5,172,075
1979	\$ 1,404,614	\$ (4,576,025)	\$ (3,171,411)
1980	\$ (12,303,800)	\$ (2,810,265)	\$ (15,114,065)
1981	\$ (16,661,771)	\$ 2,946,271	\$ (13,715,500)
1982	\$ (16,031,646)	\$ 1,180,826	\$ (14,850,820)
1983	\$ 135,877	\$ 3,884,995	\$ 4,020,872
1984	\$ 3,865,963	\$ 1,022,002	\$ 4,887,965
1985	\$ 5,049,228	\$ 1,236,571	\$ 6,285,799
1986	\$ (25,581,020)	\$ (4,638,326)	\$ (30,219,346)
1987	\$ (43,578,515)	\$ (1,145,713)	\$ (44,724,228)
1988	\$ (42,699,317)	\$ 950,745	\$ (41,748,572)
1989	\$ 16,664,050	\$ (879,319)	\$ 15,784,731
1990	\$ 9,111,477	\$ 4,991,162	\$ 14,102,639

¹ Data includes GAAP and STAT information.

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TABLE 25			
PREMERA CONVERSION ¹			
SURPLUS SPLIT – COMPLETED UNDERWRITING CASHFLOW			
	WA	AK	TOTAL
1991	\$ 12,659,535	\$ (2,316,718)	\$ 10,342,817
1992	\$ 31,457,948	\$ (8,708,976)	\$ 22,748,972
1993	\$ 35,358,918	\$ (19,797,571)	\$ 15,561,347
1994	\$ (2,477,914)	\$ 726,600	\$ (1,751,314)
1995	\$ (43,929,745)	\$ (1,690,209)	\$ (45,619,954)
1996	\$ (26,854,302)	\$ (2,429,636)	\$ (29,283,938)
1997	Proprietary Material Redacted		\$ (21,966,619)
1998			\$ (11,156,617)
1999			\$ 13,949,050
2000			\$ 9,611,571
2001			\$ 17,334,415
2002			\$ 24,379,491
2003			
2004			
2005			
2006			
2007			

* 1953-1973 start-up expense adjustment in AK.

* See Table 11 for details of 1998 Expense Shift.

Proprietary Material
Redacted

¹ Data includes GAAP and STAT information.

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TABLE 26
PREMERA CONVERSION ¹
SURPLUS SPLIT - INTEREST AND DIVIDEND HISTORY

	WA	AK	TOTAL
1946	\$ 897		\$ 897
1947	\$ (1,218)		\$ (1,218)
1948	\$ 9,777		\$ 9,777
1949	\$ 20,356		\$ 20,356
1950	\$ 5,942		\$ 5,942
1951	\$ (5,479)		\$ (5,479)
1952	\$ 15,387		\$ 15,387
1953	\$ 27,608		\$ 27,608
1954	\$ 45,736	\$ 1,241	\$ 46,977
1955	\$ 60,964	\$ 1,685	\$ 62,650
1956	\$ 89,713	\$ 4,849	\$ 94,562
1957	\$ 118,742	\$ 7,706	\$ 126,448
1958	\$ 138,582	\$ 10,539	\$ 149,122
1959	\$ 157,351	\$ 14,444	\$ 171,795
1960	\$ 185,716	\$ 20,059	\$ 205,775
1961	\$ 211,517	\$ 26,379	\$ 237,897
1962	\$ 228,851	\$ 46,263	\$ 275,115
1963	\$ 280,325	\$ 17,143	\$ 297,468
1964	\$ 309,282	\$ 26,455	\$ 335,737
1965	\$ 329,192	\$ 27,013	\$ 356,205
1966	\$ 388,824	\$ 35,156	\$ 423,979
1967	\$ 431,592	\$ 40,787	\$ 472,379
1968	\$ 469,567	\$ 38,473	\$ 508,040
1969	\$ 606,782	\$ 53,341	\$ 660,123
1970	\$ 750,190	\$ 70,289	\$ 820,479
1971	\$ 870,989	\$ 82,230	\$ 953,219
1972	\$ 1,031,289	\$ 120,629	\$ 1,151,918
1973	\$ 1,355,046	\$ 273,886	\$ 1,628,932
1974	\$ 1,580,882	\$ 279,765	\$ 1,860,647
1975	\$ 1,939,833	\$ 283,182	\$ 2,223,015
1976	\$ 1,848,044	\$ 455,073	\$ 2,303,117
1977	\$ 2,514,084	\$ 711,139	\$ 3,225,223
1978	\$ 3,463,938	\$ 877,486	\$ 4,341,424
1979	\$ 4,503,811	\$ 1,003,331	\$ 5,507,142
1980	\$ 4,521,423	\$ 1,031,846	\$ 5,553,269
1981	\$ 5,830,452	\$ 1,279,999	\$ 7,110,451
1982	\$ 5,506,120	\$ 1,048,434	\$ 6,554,554
1983	\$ 6,595,218	\$ 1,089,625	\$ 7,684,843
1984	\$ 8,980,396	\$ 1,138,672	\$ 10,119,068
1985	\$ 10,358,998	\$ 1,591,411	\$ 11,950,409
1986	\$ 8,768,097	\$ 1,403,174	\$ 10,171,271
1987	\$ 7,000,712	\$ 1,076,455	\$ 8,077,167
1988	\$ 6,271,945	\$ 874,829	\$ 7,146,774
1989	\$ 3,867,675	\$ 624,843	\$ 4,492,518
1990	\$ 6,846,110	\$ 1,770,426	\$ 8,616,536

¹ Data includes GAAP and STAT information.

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TABLE 26 PREMERA CONVERSION ¹ SURPLUS SPLIT - INTEREST AND DIVIDEND HISTORY			
	WA	AK	TOTAL
1991	\$ 8,063,085	\$ 1,966,157	\$ 10,029,242
1992	\$ 7,814,789	\$ 1,942,352	\$ 9,757,141
1993	\$ 8,501,792	\$ 2,123,930	\$ 10,625,722
1994	\$ 7,200,925	\$ 1,876,930	\$ 9,077,855
1995	\$ 9,019,533	\$ 2,114,823	\$ 11,134,356
1996	\$ 10,479,331	\$ 2,243,670	\$ 12,723,001
1997	Proprietary Material Redacted		\$ 13,305,674
1998			\$ 20,986,428
1999			\$ 22,922,765
2000			\$ 29,956,410
2001			\$ 30,137,554
2002			\$ 30,341,314
2003			
2004			
2005			
2006			
2007			

Proprietary Material
Redacted

¹ Data includes GAAP and STAT information.

CONFIDENTIAL INFORMATION – Not to be Distributed Except in Compliance
with the Orders of the Washington State Commissioner of Insurance

TABLE 27
PREMERA CONVERSION ¹
SURPLUS SPLIT - CAPITAL GAIN HISTORY

	WA	AK	TOTAL
1946	\$ -		\$ -
1947	\$ -		\$ -
1948	\$ -		\$ -
1949	\$ -		\$ -
1950	\$ -		\$ -
1951	\$ -		\$ -
1952	\$ -		\$ -
1953	\$ -		\$ -
1954	\$ -	\$ -	\$ -
1955	\$ -	\$ -	\$ -
1956	\$ -	\$ -	\$ -
1957	\$ -	\$ -	\$ -
1958	\$ -	\$ -	\$ -
1959	\$ 87,420	\$ 8,025	\$ 95,445
1960	\$ -	\$ -	\$ -
1961	\$ 30	\$ 4	\$ 34
1962	\$ (14)	\$ (3)	\$ (17)
1963	\$ 335	\$ 20	\$ 355
1964	\$ 701	\$ 60	\$ 761
1965	\$ 221,577	\$ 18,182	\$ 239,760
1966	\$ 16,432	\$ 1,486	\$ 17,917
1967	\$ 5,847	\$ 553	\$ 6,400
1968	\$ 204,252	\$ 16,735	\$ 220,987
1969	\$ 29,084	\$ 2,557	\$ 31,641
1970	\$ (22,206)	\$ (2,081)	\$ (24,287)
1971	\$ 14,625	\$ 1,381	\$ 16,006
1972	\$ 1,183,129	\$ 138,389	\$ 1,321,518
1973	\$ 415,344	\$ 83,951	\$ 499,295
1974	\$ 13,217	\$ 2,339	\$ 15,556
1975	\$ 327,584	\$ 47,821	\$ 375,405
1976	\$ 620,771	\$ 152,862	\$ 773,633
1977	\$ 477,093	\$ 134,951	\$ 612,044
1978	\$ 1,432,163	\$ 362,796	\$ 1,794,959
1979	\$ 1,478,683	\$ 329,412	\$ 1,808,095
1980	\$ 4,493,483	\$ 1,025,470	\$ 5,518,953
1981	\$ 2,501,033	\$ 549,069	\$ 3,050,102
1982	\$ 3,879,480	\$ 738,701	\$ 4,618,181
1983	\$ 3,811,456	\$ 629,707	\$ 4,441,163
1984	\$ 16,511	\$ 2,094	\$ 18,605
1985	\$ 16,321,073	\$ 2,507,340	\$ 18,828,413
1986	\$ 10,413,764	\$ 1,666,534	\$ 12,080,298
1987	\$ 4,214,576	\$ 648,049	\$ 4,862,625
1988	\$ 438,535	\$ 61,168	\$ 499,703
1989	\$ 1,835,599	\$ 296,551	\$ 2,132,150
1990	\$ 2,945,180	\$ 761,633	\$ 3,706,813

¹ Data includes GAAP and STAT information.

CONFIDENTIAL INFORMATION – Not to be Distributed Except in Compliance
with the Orders of the Washington State Commissioner of Insurance

TABLE 27
PREMERA CONVERSION ¹
SURPLUS SPLIT - CAPITAL GAIN HISTORY

	WA	AK	TOTAL
1991	\$ 7,936,172	\$ 1,935,209	\$ 9,871,381
1992	\$ 9,478,781	\$ 2,355,934	\$ 11,834,715
1993	\$ 17,574,401	\$ 4,390,462	\$ 21,964,863
1994	\$ 435,396	\$ 113,487	\$ 548,883
1995	\$ 23,785,163	\$ 5,576,942	\$ 29,362,105
1996	\$ (506,209)	\$ (108,382)	\$ (614,591)
1997	Proprietary Material Redacted		\$ 2,100,533
1998			\$ 11,829,298
1999			\$ 13,345,699
2000			\$ 6,068,629
2001			\$ 11,411,590
2002			\$ (24,288,052)
2003	\$ -	\$ -	\$ -
2004	\$ -	\$ -	\$ -
2005	\$ -	\$ -	\$ -
2006	\$ -	\$ -	\$ -
2007	\$ -	\$ -	\$ -

¹ Data includes GAAP and STAT information.

CONFIDENTIAL INFORMATION – Not to be Distributed Except in Compliance with the Orders of the Washington State Commissioner of Insurance

TABLE 28
PREMERA CONVERSION ¹
SURPLUS SPLIT - PRELIMINARY SURPLUS ACCUMULATION ²

	WA	AK	TOTAL
1946	\$ (113,767)	\$ -	\$ (113,767)
1947	\$ (13,316)	\$ -	\$ (13,316)
1948	\$ 90,657	\$ -	\$ 90,657
1949	\$ 110,047	\$ -	\$ 110,047
1950	\$ 348,175	\$ -	\$ 348,175
1951	\$ 454,078	\$ -	\$ 454,078
1952	\$ 793,850	\$ -	\$ 793,850
1953	\$ 1,328,689	\$ (17,942)	\$ 1,310,748
1954	\$ 1,850,994	\$ (44,672)	\$ 1,806,322
1955	\$ 2,268,547	\$ (72,996)	\$ 2,195,551
1956	\$ 3,051,834	\$ (86,303)	\$ 2,965,531
1957	\$ 3,829,225	\$ (90,502)	\$ 3,738,723
1958	\$ 4,292,755	\$ (116,896)	\$ 4,175,859
1959	\$ 5,015,806	\$ (101,419)	\$ 4,914,388
1960	\$ 5,490,266	\$ (100,341)	\$ 5,389,925
1961	\$ 6,330,590	\$ (565,660)	\$ 5,764,930
1962	\$ 5,983,955	\$ 391,767	\$ 6,375,722
1963	\$ 6,422,593	\$ 323,025	\$ 6,745,618
1964	\$ 6,495,984	\$ 216,425	\$ 6,712,410
1965	\$ 7,187,390	\$ 143,492	\$ 7,330,882
1966	\$ 8,417,058	\$ (416,552)	\$ 8,000,506
1967	\$ 8,958,153	\$ (439,555)	\$ 8,518,599
1968	\$ 10,497,540	\$ (456,381)	\$ 10,041,159
1969	\$ 12,145,466	\$ (669,342)	\$ 11,476,124
1970	\$ 13,158,883	\$ (689,947)	\$ 12,468,936
1971	\$ 12,976,243	\$ 181,193	\$ 13,157,436
1972	\$ 16,288,187	\$ (398,510)	\$ 15,889,677
1973	\$ 17,624,394	\$ 40,912	\$ 17,665,307
1974	\$ 16,324,299	\$ 3,113,630	\$ 19,437,930
1975	\$ 16,357,750	\$ 4,718,840	\$ 21,076,590
1976	\$ 17,099,798	\$ 6,150,702	\$ 23,250,500
1977	\$ 20,931,353	\$ 7,745,694	\$ 28,677,047
1978	\$ 31,631,979	\$ 8,353,526	\$ 39,985,505
1979	\$ 39,019,087	\$ 5,110,243	\$ 44,129,331
1980	\$ 35,730,194	\$ 4,357,294	\$ 40,087,488
1981	\$ 27,399,908	\$ 9,132,633	\$ 36,532,541
1982	\$ 20,753,862	\$ 12,100,594	\$ 32,854,456
1983	\$ 31,296,413	\$ 17,704,921	\$ 49,001,334
1984	\$ 44,159,283	\$ 19,867,688	\$ 64,026,972
1985	\$ 75,888,582	\$ 25,203,010	\$ 101,091,593
1986	\$ 69,489,423	\$ 23,634,392	\$ 93,123,816
1987	\$ 37,126,197	\$ 24,213,183	\$ 61,339,380
1988	\$ 1,137,360	\$ 26,099,925	\$ 27,237,285
1989	\$ 23,504,684	\$ 26,142,000	\$ 49,646,684
1990	\$ 42,407,451	\$ 33,665,220	\$ 76,072,672

¹ Data includes GAAP and STAT information.

² Sum of Tables 25, 26, 27 and accumulate year by year.

**CONFIDENTIAL INFORMATION – Not to be Distributed Except in Compliance
with the Orders of the Washington State Commissioner of Insurance**

TABLE 28			
PREMERA CONVERSION ¹			
SURPLUS SPLIT - PRELIMINARY SURPLUS ACCUMULATION ²			
	WA	AK	TOTAL
1991	\$ 71,066,243	\$ 35,249,869	\$ 106,316,112
1992	\$ 119,817,761	\$ 30,839,179	\$ 150,656,940
1993	\$ 181,252,872	\$ 17,556,000	\$ 198,808,872
1994	\$ 186,411,279	\$ 20,273,017	\$ 206,684,296
1995	\$ 175,286,229	\$ 26,274,573	\$ 201,560,803
1996	\$ 158,405,048	\$ 25,980,226	\$ 184,385,275
1997	Proprietary Material Redacted		\$ 271,147,240
1998			\$ 292,806,349
1999			\$ 343,023,863
2000			\$ 388,660,473
2001			\$ 447,544,032
2002			\$ 477,976,785

¹ Data includes GAAP and STAT information.

² Sum of Tables 25, 26, 27 and accumulate year by year.

CONFIDENTIAL INFORMATION – Not to be Distributed Except in Compliance
with the Orders of the Washington State Commissioner of Insurance

TABLE 29

PREMERA CONVERSION ¹
SURPLUS SPLIT - OTHER INCOME/EXPENSE

	WA	AK	Allocated Total	TOTAL
1946	\$ 22,256		\$ 22,256	\$ 22,256
1947	\$ 34,805		\$ 34,805	\$ 34,805
1948	\$ 42,541		\$ 42,541	\$ 42,541
1949	\$ 36,648		\$ 36,648	\$ 36,648
1950	\$ 15,449		\$ 15,449	\$ 15,449
1951	\$ 16,319		\$ 16,319	\$ 16,319
1952	\$ 4,706		\$ 4,706	\$ 4,706
1953	\$ 4,369	\$ 119	\$ 4,488	\$ 4,488
1954	\$ 4,457	\$ 121	\$ 4,578	\$ 4,578
1955	\$ 7,809	\$ 404	\$ 8,213	\$ 8,213
1956	\$ 8,849	\$ 538	\$ 9,387	\$ 9,387
1957	\$ 31,029	\$ 2,445	\$ 33,474	\$ 33,474
1958	\$ 22,249	\$ 1,931	\$ 24,180	\$ 24,180
1959	\$ 13,475	\$ 1,411	\$ 14,886	\$ 14,886
1960	\$ 18,684	\$ 2,090	\$ 20,774	\$ 20,774
1961	\$ 28,793	\$ 3,739	\$ 32,532	\$ 32,532
1962	\$ 41,555	\$ 5,209	\$ 46,764	\$ 46,764
1963	\$ 44,488	\$ 3,942	\$ 48,430	\$ 48,430
1964	\$ 13,363	\$ 1,162	\$ 14,525	\$ 14,525
1965	\$ 11,611	\$ 854	\$ 12,465	\$ 12,465
1966	\$ 10,082	\$ 567	\$ 10,649	\$ 10,649
1967	\$ 9,059	\$ 648	\$ 9,707	\$ 9,707
1968	\$ 8,843	\$ 614	\$ 9,457	\$ 9,457
1969	\$ 6,143	\$ 469	\$ 6,612	\$ 6,612
1970	\$ 14,230	\$ 1,080	\$ 15,311	\$ 15,311
1971	\$ 31,753	\$ 5,014	\$ 36,767	\$ 36,767
1972	\$ (404,160)	\$ (54,314)	\$ (458,475)	\$ (458,475)
1973	\$ 82,556	\$ 12,310	\$ 94,866	\$ 94,866
1974	\$ (61,627)	\$ (8,937)	\$ (70,564)	\$ (70,564)
1975	\$ 13,904	\$ 2,542	\$ 16,446	\$ 16,446
1976	\$ 123,739	\$ 17,988	\$ 141,727	\$ 141,727
1977	\$ (9,166)	\$ (1,696)	\$ (10,862)	\$ (10,862)
1978	\$ 162,364	\$ 24,076	\$ 186,440	\$ 186,440
1979	\$ 414,763	\$ 56,583	\$ 471,346	\$ 471,346
1980	\$ 163,578	\$ 25,783	\$ 189,361	\$ 189,361
1981	\$ 180,112	\$ 29,788	\$ 209,900	\$ 209,900
1982	\$ (150,235)	\$ (21,418)	\$ (171,653)	\$ (171,653)
1983	\$ -	\$ -	\$ -	\$ -
1984	\$ -	\$ -	\$ -	\$ -
1985	\$ -	\$ -	\$ -	\$ -
1986	\$ -	\$ -	\$ -	\$ -
1987	\$ -	\$ -	\$ -	\$ -
1988	\$ -	\$ -	\$ -	\$ -
1989	\$ -	\$ -	\$ -	\$ -
1990	\$ 3,299,272	\$ -	\$ 3,299,272	\$ 3,299,272

¹ Data includes GAAP and STAT information.

CONFIDENTIAL INFORMATION – Not to be Distributed Except in Compliance
with the Orders of the Washington State Commissioner of Insurance

TABLE 29				
PREMERA CONVERSION ¹				
SURPLUS SPLIT - OTHER INCOME/EXPENSE				
	WA	AK	Allocated Total	TOTAL
1991	\$ (129,775)	\$ (60,339)	\$ (190,114)	\$ (2,323,912)
1992	\$ (191,647)	\$ (67,422)	\$ (259,069)	\$ (11,494,254)
1993	\$ (2,373,556)	\$ (56,722)	\$ (2,430,278)	\$ (5,507,443)
1994	\$ (2,335,905)	\$ (22,880)	\$ (2,358,785)	\$ (2,325,920)
1995	\$ (3,627,322)	\$ (74,039)	\$ (3,701,361)	\$ (3,768,365)
1996	\$ (2,518,988)	\$ (19,205)	\$ (2,538,193)	\$ (2,644,574)
1997	\$	Proprietary Material Redacted		\$ (2,632,800)
1998	\$			\$ (13,879,086)
1999	\$			\$ (994,624)
2000	\$			\$ (2,832,517)
2001	\$			\$ (4,580,646)
2002	\$			\$ (6,589,860)

¹ Data includes GAAP and STAT information.

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with the Orders of the Washington State Commissioner of Insurance

TABLE 30
PREMERA CONVERSION ¹
SURPLUS SPLIT - FEDERAL INCOME TAX

	WA	AK	Allocated Total	TOTAL
1946	\$ -	\$ -	\$ -	\$ -
1947	\$ -	\$ -	\$ -	\$ -
1948	\$ -	\$ -	\$ -	\$ -
1949	\$ -	\$ -	\$ -	\$ -
1950	\$ -	\$ -	\$ -	\$ -
1951	\$ -	\$ -	\$ -	\$ -
1952	\$ -	\$ -	\$ -	\$ -
1953	\$ -	\$ -	\$ -	\$ -
1954	\$ -	\$ -	\$ -	\$ -
1955	\$ -	\$ -	\$ -	\$ -
1956	\$ -	\$ -	\$ -	\$ -
1957	\$ -	\$ -	\$ -	\$ -
1958	\$ -	\$ -	\$ -	\$ -
1959	\$ -	\$ -	\$ -	\$ -
1960	\$ -	\$ -	\$ -	\$ -
1961	\$ -	\$ -	\$ -	\$ -
1962	\$ -	\$ -	\$ -	\$ -
1963	\$ -	\$ -	\$ -	\$ -
1964	\$ -	\$ -	\$ -	\$ -
1965	\$ -	\$ -	\$ -	\$ -
1966	\$ -	\$ -	\$ -	\$ -
1967	\$ -	\$ -	\$ -	\$ -
1968	\$ -	\$ -	\$ -	\$ -
1969	\$ -	\$ -	\$ -	\$ -
1970	\$ -	\$ -	\$ -	\$ -
1971	\$ -	\$ -	\$ -	\$ -
1972	\$ -	\$ -	\$ -	\$ -
1973	\$ -	\$ -	\$ -	\$ -
1974	\$ -	\$ -	\$ -	\$ -
1975	\$ -	\$ -	\$ -	\$ -
1976	\$ -	\$ -	\$ -	\$ -
1977	\$ -	\$ -	\$ -	\$ -
1978	\$ -	\$ -	\$ -	\$ -
1979	\$ -	\$ -	\$ -	\$ -
1980	\$ -	\$ -	\$ -	\$ -
1981	\$ -	\$ -	\$ -	\$ -
1982	\$ -	\$ -	\$ -	\$ -
1983	\$ -	\$ -	\$ -	\$ -
1984	\$ -	\$ -	\$ -	\$ -
1985	\$ -	\$ -	\$ -	\$ -
1986	\$ -	\$ -	\$ -	\$ -
1987	\$ -	\$ -	\$ -	\$ -
1988	\$ -	\$ 400	\$ 400	\$ 400
1989	\$ 451,142	\$ (5,142)	\$ 446,000	\$ 446,000
1990	\$ 327,407	\$ 114,805	\$ 442,212	\$ 442,212

¹ Data includes GAAP and STAT information.

DRAFT Confidential Information – Not to be Distributed Except in Compliance
with the Orders of the Washington State Commissioner of Insurance

TABLE 30 PREMERA CONVERSION ¹ SURPLUS SPLIT - FEDERAL INCOME TAX				
	WA	AK	Allocated Total	TOTAL
1991	\$ 458,903	\$ (903)	\$ 458,000	\$ 458,000
1992	\$ 5,048,879	\$ (810,015)	\$ 4,238,864	\$ 4,238,864
1993	\$ 5,426,532	\$ (1,918,543)	\$ 3,507,989	\$ 3,507,989
1994	\$ 1,183,900	\$ 1,102,219	\$ 2,286,119	\$ 2,286,119
1995	\$ (4,139,877)	\$ 260,999	\$ (3,878,878)	\$ (3,878,878)
1996	\$ (2,315,680)	\$ 701,305	\$ (1,614,375)	\$ (1,614,375)
1997	\$	Proprietary Material Redacted	\$	\$ 3,153,438
1998	\$		\$	\$ 7,105,054
1999	\$		\$	\$ 3,111,234
2000	\$		\$	\$ 11,140,054
2001	\$		\$	\$ 10,227,992
2002	\$		\$	\$ 6,464,448

¹ Data includes GAAP and STAT information.

TABLE 31
PREMERA CONVERSION 1
SURPLUS SPLIT - CHANGE IN NON-ADMITTED ASSETS

	WA	AK	Allocated Total	TOTAL
1946	\$ -	\$ -	\$ -	\$ -
1947	\$ -	\$ -	\$ -	\$ -
1948	\$ -	\$ -	\$ -	\$ -
1949	\$ -	\$ -	\$ -	\$ -
1950	\$ -	\$ -	\$ -	\$ -
1951	\$ -	\$ -	\$ -	\$ -
1952	\$ -	\$ -	\$ -	\$ -
1953	\$ -	\$ -	\$ -	\$ (157,419)
1954	\$ -	\$ -	\$ -	\$ (47,400)
1955	\$ -	\$ -	\$ -	\$ -
1956	\$ -	\$ -	\$ -	\$ (16,343)
1957	\$ -	\$ -	\$ -	\$ -
1958	\$ -	\$ -	\$ -	\$ -
1959	\$ -	\$ -	\$ -	\$ -
1960	\$ -	\$ -	\$ -	\$ -
1961	\$ -	\$ -	\$ -	\$ (9,789)
1962	\$ -	\$ -	\$ -	\$ -
1963	\$ -	\$ -	\$ -	\$ -
1964	\$ -	\$ -	\$ -	\$ -
1965	\$ -	\$ -	\$ -	\$ -
1966	\$ -	\$ -	\$ -	\$ -
1967	\$ -	\$ -	\$ -	\$ -
1968	\$ -	\$ -	\$ -	\$ -
1969	\$ -	\$ -	\$ -	\$ -
1970	\$ -	\$ -	\$ -	\$ -
1971	\$ -	\$ -	\$ -	\$ -
1972	\$ -	\$ -	\$ -	\$ -
1973	\$ -	\$ -	\$ -	\$ -
1974	\$ -	\$ -	\$ -	\$ -
1975	\$ -	\$ -	\$ -	\$ -
1976	\$ -	\$ -	\$ -	\$ -
1977	\$ -	\$ -	\$ -	\$ -
1978	\$ -	\$ -	\$ -	\$ -
1979	\$ -	\$ -	\$ -	\$ -
1980	\$ -	\$ -	\$ -	\$ -
1981	\$ -	\$ -	\$ -	\$ -
1982	\$ -	\$ -	\$ -	\$ -
1983	\$ -	\$ -	\$ -	\$ (1,251,028)
1984	\$ -	\$ -	\$ -	\$ 1,326,164
1985	\$ -	\$ -	\$ -	\$ (459,431)
1986	\$ -	\$ -	\$ -	\$ (2,991,700)
1987	\$ -	\$ -	\$ -	\$ (1,743,087)
1988	\$ -	\$ -	\$ -	\$ 1,075,928
1989	\$ -	\$ -	\$ -	\$ 866,893
1990	\$ -	\$ -	\$ -	\$ (596,379)

¹ Data includes GAAP and STAT information.

DRAFT Confidential Information – Not to be Distributed Except in Compliance with the Orders of the Washington State Commissioner of Insurance

TABLE 31				
PREMERA CONVERSION ¹				
SURPLUS SPLIT - CHANGE IN NON-ADMITTED ASSETS				
	WA	AK	Allocated Total	TOTAL
1991	\$ -	\$ -	\$ -	\$ (1,783,260)
1992	\$ -	\$ -	\$ -	\$ (3,338,062)
1993	\$ -	\$ -	\$ -	\$ (3,829,419)
1994	\$ -	\$ -	\$ -	\$ (814,247)
1995	\$ (2,268,974)	\$ -	\$ (2,268,974)	\$ (3,341,711)
1996	\$ 132,784	\$ -	\$ 132,784	\$ 1,534,353
1997	\$	Proprietary Material Redacted		\$ 7,709,860
1998	\$			\$ 733,806
1999	\$			\$ (7,322,834)
2000	\$			\$ (6,003,204)
2001	\$			\$ (504,365)
2002	\$			\$ (47,117,609)

¹ Data includes GAAP and STAT information.

TABLE 32
PREMERA CONVERSION ¹
SURPLUS SPLIT - OTHER SURPLUS

	WA	AK	Allocated Total	TOTAL
1946	\$ -	\$ -	\$ -	\$ -
1947	\$ -	\$ -	\$ -	\$ -
1948	\$ -	\$ -	\$ -	\$ -
1949	\$ -	\$ -	\$ -	\$ -
1950	\$ -	\$ -	\$ -	\$ -
1951	\$ -	\$ -	\$ -	\$ -
1952	\$ -	\$ -	\$ -	\$ (52,860)
1953	\$ -	\$ -	\$ -	\$ (19,000)
1954	\$ -	\$ -	\$ -	\$ (105,594)
1955	\$ -	\$ -	\$ -	\$ 26,845
1956	\$ -	\$ -	\$ -	\$ (29,337)
1957	\$ -	\$ -	\$ -	\$ -
1958	\$ -	\$ -	\$ -	\$ -
1959	\$ -	\$ -	\$ -	\$ -
1960	\$ -	\$ -	\$ -	\$ -
1961	\$ -	\$ -	\$ -	\$ 422,341
1962	\$ -	\$ -	\$ -	\$ -
1963	\$ -	\$ -	\$ -	\$ (84,011)
1964	\$ -	\$ -	\$ -	\$ -
1965	\$ -	\$ -	\$ -	\$ (59,200)
1966	\$ -	\$ -	\$ -	\$ -
1967	\$ -	\$ -	\$ -	\$ -
1968	\$ -	\$ -	\$ -	\$ -
1969	\$ -	\$ -	\$ -	\$ -
1970	\$ -	\$ -	\$ -	\$ -
1971	\$ -	\$ -	\$ -	\$ -
1972	\$ -	\$ -	\$ -	\$ -
1973	\$ -	\$ -	\$ -	\$ -
1974	\$ -	\$ -	\$ -	\$ (659,834)
1975	\$ -	\$ -	\$ -	\$ -
1976	\$ -	\$ -	\$ -	\$ -
1977	\$ -	\$ -	\$ -	\$ -
1978	\$ -	\$ -	\$ -	\$ (1,900,000)
1979	\$ -	\$ -	\$ -	\$ (889,188)
1980	\$ -	\$ -	\$ -	\$ (614,000)
1981	\$ -	\$ -	\$ -	\$ (1,571,323)
1982	\$ -	\$ -	\$ -	\$ (1,435,964)
1983	\$ -	\$ -	\$ -	\$ (304,605)
1984	\$ -	\$ -	\$ -	\$ -
1985	\$ -	\$ -	\$ -	\$ -
1986	\$ -	\$ -	\$ -	\$ -
1987	\$ -	\$ -	\$ -	\$ -
1988	\$ -	\$ -	\$ -	\$ -
1989	\$ -	\$ -	\$ -	\$ -
1990	\$ -	\$ -	\$ -	\$ -

¹ Data includes GAAP and STAT information.

TABLE 32
PREMERA CONVERSION ¹
SURPLUS SPLIT - OTHER SURPLUS

	WA	AK	Allocated Total	TOTAL
1991	\$ -	\$ -	\$ -	\$ -
1992	\$ -	\$ -	\$ -	\$ -
1993	\$ -	\$ -	\$ -	\$ -
1994	\$ -	\$ -	\$ -	\$ (500,000)
1995	\$ -	\$ -	\$ -	\$ (1,245,990)
1996	\$ -	\$ -	\$ -	\$ -
1997	\$ -	\$ -	\$ -	\$ -
1998	\$ -	\$ -	\$ -	\$ (8,383,155)
1999	\$ -	\$ -	\$ -	\$ -
2000	\$ -	\$ -	\$ -	\$ (3,150,000)
2001	\$ -	\$ -	\$ -	\$ 14,318,631
2002	\$ -	\$ -	\$ -	\$ 12,363,165

¹ Data includes GAAP and STAT information.

DRAFT Confidential Information – Not to be Distributed Except in Compliance with the Orders of the Washington State Commissioner of Insurance

TABLE 33
PREMERA CONVERSION ¹
SURPLUS SPLIT - OTHER TOTAL ²

	WA	AK	Allocated Total	TOTAL
1946	\$ 22,256	\$ -	\$ 22,256	\$ 22,256
1947	\$ 34,805	\$ -	\$ 34,805	\$ 34,805
1948	\$ 42,541	\$ -	\$ 42,541	\$ 42,541
1949	\$ 36,648	\$ -	\$ 36,648	\$ 36,648
1950	\$ 15,449	\$ -	\$ 15,449	\$ 15,449
1951	\$ 16,319	\$ -	\$ 16,319	\$ 16,319
1952	\$ 4,706	\$ -	\$ 4,706	\$ (48,154)
1953	\$ 4,369	\$ 119	\$ 4,488	\$ (171,931)
1954	\$ 4,457	\$ 121	\$ 4,578	\$ (148,416)
1955	\$ 7,809	\$ 404	\$ 8,213	\$ 35,058
1956	\$ 8,849	\$ 538	\$ 9,387	\$ (36,293)
1957	\$ 31,029	\$ 2,445	\$ 33,474	\$ 33,474
1958	\$ 22,249	\$ 1,931	\$ 24,180	\$ 24,180
1959	\$ 13,475	\$ 1,411	\$ 14,886	\$ 14,886
1960	\$ 18,684	\$ 2,090	\$ 20,774	\$ 20,774
1961	\$ 28,793	\$ 3,739	\$ 32,532	\$ 445,083
1962	\$ 41,555	\$ 5,209	\$ 46,764	\$ 46,764
1963	\$ 44,488	\$ 3,942	\$ 48,430	\$ (35,581)
1964	\$ 13,363	\$ 1,162	\$ 14,525	\$ 14,525
1965	\$ 11,611	\$ 854	\$ 12,465	\$ (46,734)
1966	\$ 10,082	\$ 567	\$ 10,649	\$ 10,649
1967	\$ 9,059	\$ 648	\$ 9,707	\$ 9,707
1968	\$ 8,843	\$ 614	\$ 9,457	\$ 9,457
1969	\$ 6,143	\$ 469	\$ 6,612	\$ 6,612
1970	\$ 14,230	\$ 1,080	\$ 15,311	\$ 15,311
1971	\$ 31,753	\$ 5,014	\$ 36,767	\$ 36,767
1972	\$ (404,160)	\$ (54,314)	\$ (458,475)	\$ (458,475)
1973	\$ 82,556	\$ 12,310	\$ 94,866	\$ 94,866
1974	\$ (61,627)	\$ (8,937)	\$ (70,564)	\$ (730,398)
1975	\$ 13,904	\$ 2,542	\$ 16,446	\$ 16,446
1976	\$ 123,739	\$ 17,988	\$ 141,727	\$ 141,727
1977	\$ (9,166)	\$ (1,696)	\$ (10,862)	\$ (10,862)
1978	\$ 162,364	\$ 24,076	\$ 186,440	\$ (1,713,560)
1979	\$ 414,763	\$ 56,583	\$ 471,346	\$ (417,842)
1980	\$ 163,578	\$ 25,783	\$ 189,361	\$ (424,639)
1981	\$ 180,112	\$ 29,788	\$ 209,900	\$ (1,361,423)
1982	\$ (150,235)	\$ (21,418)	\$ (171,653)	\$ (1,607,617)
1983	\$ -	\$ -	\$ -	\$ (1,555,633)
1984	\$ -	\$ -	\$ -	\$ 1,326,164
1985	\$ -	\$ -	\$ -	\$ (459,431)
1986	\$ -	\$ -	\$ -	\$ (2,991,700)
1987	\$ -	\$ -	\$ -	\$ (1,743,087)
1988	\$ -	\$ (400)	\$ (400)	\$ 1,075,528
1989	\$ (451,142)	\$ 5,142	\$ (446,000)	\$ 420,893
1990	\$ 2,971,865	\$ (114,805)	\$ 2,857,060	\$ 2,260,681

¹ Data includes GAAP and STAT information.

² Sum of Tables 29, 30, 31, 32.

TABLE 33				
PREMERA CONVERSION ¹				
SURPLUS SPLIT - OTHER TOTAL ²				
	WA	AK	Allocated Total	TOTAL
1991	\$ (588,678)	\$ (59,436)	\$ (648,114)	\$ (4,565,172)
1992	\$ (5,240,526)	\$ 742,593	\$ (4,497,933)	\$ (19,071,180)
1993	\$ (7,800,088)	\$ 1,861,821	\$ (5,938,267)	\$ (12,844,851)
1994	\$ (3,519,805)	\$ (1,125,099)	\$ (4,644,904)	\$ (5,926,286)
1995	\$ (1,756,420)	\$ (335,038)	\$ (2,091,457)	\$ (4,477,188)
1996	\$ (70,524)	\$ (720,511)	\$ (791,034)	\$ 504,154
1997	\$			\$ 1,923,622
1998	\$			\$ (28,633,489)
1999	\$			\$ (11,428,692)
2000	\$			\$ (23,125,775)
2001	\$			\$ (994,372)
2002	\$			\$ (47,808,752)

Proprietary Material
Redacted

¹ Data includes GAAP and STAT information.

² Sum of Tables 29, 30, 31, 32.

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**TABLE 34
PREMERA CONVERSION ¹
SURPLUS SPLIT - FINAL SURPLUS ACCUMULATION ²**

	WA	AK	Allocated Total	TOTAL
1946	\$ (91,511)	\$ -	\$ (91,511)	\$ (91,511)
1947	\$ 43,745	\$ -	\$ 43,745	\$ 43,745
1948	\$ 190,259	\$ -	\$ 190,259	\$ 190,259
1949	\$ 246,297	\$ -	\$ 246,297	\$ 246,297
1950	\$ 499,874	\$ -	\$ 499,874	\$ 499,874
1951	\$ 622,096	\$ -	\$ 622,096	\$ 622,096
1952	\$ 966,574	\$ -	\$ 966,574	\$ 913,714
1953	\$ 1,505,782	\$ (17,823)	\$ 1,487,959	\$ 1,258,681
1954	\$ 2,032,544	\$ (44,433)	\$ 1,988,111	\$ 1,605,838
1955	\$ 2,457,907	\$ (72,353)	\$ 2,385,554	\$ 2,030,125
1956	\$ 3,250,043	\$ (85,122)	\$ 3,164,921	\$ 2,763,813
1957	\$ 4,058,464	\$ (86,877)	\$ 3,971,587	\$ 3,570,479
1958	\$ 4,544,242	\$ (111,340)	\$ 4,432,902	\$ 4,031,794
1959	\$ 5,280,769	\$ (94,452)	\$ 5,186,317	\$ 4,785,209
1960	\$ 5,773,912	\$ (91,283)	\$ 5,682,629	\$ 5,281,521
1961	\$ 6,643,030	\$ (552,863)	\$ 6,090,166	\$ 6,101,610
1962	\$ 6,337,949	\$ 409,773	\$ 6,747,722	\$ 6,759,165
1963	\$ 6,821,075	\$ 344,972	\$ 7,166,047	\$ 7,093,480
1964	\$ 6,907,830	\$ 239,535	\$ 7,147,365	\$ 7,074,797
1965	\$ 7,610,846	\$ 167,456	\$ 7,778,303	\$ 7,646,535
1966	\$ 8,850,598	\$ (392,022)	\$ 8,458,576	\$ 8,326,809
1967	\$ 9,400,752	\$ (414,376)	\$ 8,986,375	\$ 8,854,608
1968	\$ 10,948,982	\$ (430,590)	\$ 10,518,392	\$ 10,386,625
1969	\$ 12,603,051	\$ (643,081)	\$ 11,959,970	\$ 11,828,203
1970	\$ 13,630,698	\$ (662,606)	\$ 12,968,092	\$ 12,836,324
1971	\$ 13,479,811	\$ 213,548	\$ 13,693,359	\$ 13,561,592
1972	\$ 16,387,595	\$ (420,469)	\$ 15,967,125	\$ 15,835,358
1973	\$ 17,806,358	\$ 31,263	\$ 17,837,621	\$ 17,705,853
1974	\$ 16,444,636	\$ 3,095,044	\$ 19,539,680	\$ 18,748,078
1975	\$ 16,491,990	\$ 4,702,796	\$ 21,194,786	\$ 20,403,184
1976	\$ 17,357,777	\$ 6,152,645	\$ 23,510,423	\$ 22,718,821
1977	\$ 21,180,166	\$ 7,745,942	\$ 28,926,108	\$ 28,134,506
1978	\$ 32,043,156	\$ 8,377,850	\$ 40,421,006	\$ 37,729,404
1979	\$ 39,845,027	\$ 5,191,151	\$ 45,036,178	\$ 41,455,388
1980	\$ 36,719,711	\$ 4,463,984	\$ 41,183,696	\$ 36,988,906
1981	\$ 28,569,538	\$ 9,269,111	\$ 37,838,649	\$ 32,072,536
1982	\$ 21,773,257	\$ 12,215,654	\$ 33,988,911	\$ 26,786,834
1983	\$ 32,315,808	\$ 17,819,981	\$ 50,135,789	\$ 41,378,079
1984	\$ 45,178,678	\$ 19,982,749	\$ 65,161,427	\$ 57,729,881
1985	\$ 76,907,977	\$ 25,318,070	\$ 102,226,048	\$ 94,335,071
1986	\$ 70,508,818	\$ 23,749,453	\$ 94,258,271	\$ 83,375,594
1987	\$ 38,145,592	\$ 24,328,243	\$ 62,473,835	\$ 49,848,071
1988	\$ 2,156,755	\$ 26,214,585	\$ 28,371,340	\$ 16,821,504
1989	\$ 24,072,937	\$ 26,261,802	\$ 50,334,739	\$ 39,651,796
1990	\$ 45,947,569	\$ 33,670,218	\$ 79,617,787	\$ 68,338,465

¹ Data includes GAAP and STAT information.

² Accumulate Table 33 and then add to Table 28 up to 2002.

TABLE 34				
PREMERA CONVERSION ¹				
SURPLUS SPLIT - FINAL SURPLUS ACCUMULATION ²				
	WA	AK	Allocated Total	TOTAL
1991	\$ 74,017,682	\$ 35,195,430	\$ 109,213,113	\$ 94,016,733
1992	\$ 117,528,674	\$ 31,527,333	\$ 149,056,008	\$ 119,286,381
1993	\$ 171,163,697	\$ 20,105,975	\$ 191,269,673	\$ 154,593,462
1994	\$ 172,802,299	\$ 21,697,894	\$ 194,500,193	\$ 156,542,600
1995	\$ 159,920,830	\$ 27,364,413	\$ 187,285,242	\$ 146,941,919
1996	\$ 142,969,125	\$ 26,349,555	\$ 169,318,680	\$ 130,270,545
1997	Proprietary Material Redacted			\$ 218,956,132
1998				\$ 211,981,752
1999				\$ 250,770,574
2000				\$ 273,281,409
2001				\$ 331,170,596
2002				\$ 313,794,597
2003 ³				Proprietary Material Redacted
2004				
2005				
2006				
2007				

¹ Data includes GAAP and STAT information.

² Accumulate Table 33 and then add to Table 28 up to 2002.

³ 15% Discount of Underwriting Profit 2004-2007.